

**For discussion on  
20 April 2012**

**Legislative Council Panel on Education  
Self-financing Post-secondary Education Sector**

**Purpose**

This paper briefs Members on the policies and latest position on the development of the self-financing post-secondary education sector.

**Self-financing Post-secondary Education**

Overview

2. It is our policy to support the parallel development of the publicly-funded and self-financing post-secondary education sectors. The self-financing sector plays an important role in broadening the opportunities and choices for further education, thereby providing quality, diversified and flexible pathways with multiple entry and multiple exit points for school leavers. The self-financing sector also helps diversify our higher education sector and is conducive to the development of education service and Hong Kong's further development as a regional education hub. By responding quickly to changing society needs, the self-financing sector plays a pivotal role in upgrading the quality of the human resources in Hong Kong by offering a wide array of continuing and professional education and lifelong learning opportunities for our workforce and the community at large.

3. The self-financing post-secondary education sector primarily consists of three different components –

- (a) self-financing post-secondary institutions including approved post-secondary colleges registered under the Post Secondary Colleges Ordinance<sup>1</sup> (Cap. 320) and the Open University of Hong Kong, which is a statutory institution operating on a self-financing basis;

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<sup>1</sup> There are currently six approved post-secondary colleges, including the Hong Kong Shue Yan University, Chu Hai College of Higher Education, Hang Seng Management College, Tung Wah College, Caritas Institute of Higher Education and Centennial College.

- (b) operators of self-financing locally-accredited post-secondary programmes and non-local programmes<sup>2</sup>; and
- (c) publicly-funded higher education institutions<sup>3</sup> that offer self-financing post-secondary programmes primarily through their self-financing continuing and professional education arms or member institutions under their aegis.

#### Operation of the self-financing sector

4. Unlike the publicly-funded sector, the self-financing sector offers a wider variety of programmes in terms of nature (ranging from non-credit-bearing interest classes to credit-bearing professional courses), learning outcome (from craft level to doctoral degree level), mode of delivery (from purely distance learning, blended learning to face-to-face programmes), and duration (from a few hours to a few years), etc. These programmes target at different types of students including full-time and part-time students, school leavers and working adults with different learning objectives and affordability. The sector is characterized by its flexibility, diversity and responsiveness, and these attributes enable the sector to complement the publicly-funded sector in launching new courses and adapting existing ones in a timely manner, thus enabling Hong Kong to nurture the necessary talents to compete in the fast-changing, globalised knowledge-based economy.

5. In response to Members' concerns about the financial aspects of the self-financing sector, we have gathered some information on the operation of the self-financing post-secondary programmes. Based on returns and responses received, we have the following observations –

- (a) The majority of tuition income is attributable to programmes at postgraduate and undergraduate, and many of them are offered on a part-time basis (e.g. Executive MBA, MBA, etc.) targeting working adults who aspire to improve their career development.
- (b) Regarding the sub-degree programmes which are primarily for full-time school leavers, half of the UGC-funded institutions recorded a before-investment deficit in the 2008/09 academic year. The situation has

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<sup>2</sup> Institutions such as the Hong Kong College of Technology, Hong Kong Institute of Technology and Savannah College of Art and Design (SCAD) are offering locally-accredited post-secondary programmes. There are around 1 200 non-local courses being registered or exempted under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493).

<sup>3</sup> There are currently ten publicly-funded statutory institutions, including the eight University Grants Committee-funded institutions, the Hong Kong Academy for Performing Arts and the Vocational Training Council.

improved in the 2009/10 and the 2010/11 academic years. However, year-on-year volatility is significant.

- (c) When setting the fee levels for self-financing programmes, most institutions plan on the basis of a balanced budget and adopt a prudent approach, taking into account a basket of factors including expected enrolment, similar programmes offered in the society, and affordability of the target group. In the case of programmes with longer duration such as sub-degree and undergraduate programmes, institutions are obliged to take a longer-term view of the financial viability, sustainability of the programmes and strategic development of the institution. To cater for possible year-on-year volatility and uncertainties, an adequate level of reserve is critical to serve as a buffer to sustain the healthy operation of the programmes and avoid any financial burden on the institutions concerned.
- (d) The UGC-funded institutions and self-financing institutions are non-profit-making. Any surplus in a year will be kept in their reserve and ploughed back in support of teaching and learning activities, curriculum development, student scholarships, research activities, and the maintenance, replacement and improvement of teaching and learning facilities for the benefit of students.

Key findings are summarized at Annex A. Please note that the information is compiled by individual institutions using their own accounting guidelines and systems, and hence the figures reported by different institutions are not directly comparable.

6. It is noteworthy that as far as the UGC-funded sector is concerned, the UGC-funded institutions are required to keep separate accounts for publicly-funded and self-financing programmes in order to ensure that there is no cross-subsidization of UGC resources to self-financing activities. Institutions should also ensure that self-financing activities do not detract from the core work of the institutions, have distinct separation of resources from publicly funded programmes and are financially viable and sustainable. The UGC has recently established the Financial Affairs Working Group to work with institutions to help ensure their continuing good financial governance, having due regard to the principle of institutional autonomy. As an ongoing effort, the UGC will also seek information and clarifications on the institutions' operations and finances, and arrange meetings with their senior management, where necessary.

#### Oversight of the self-financing post-secondary sector

7. The self-financing post-secondary education sector in Hong Kong is at its early stage of development. In supporting the healthy and sustainable development of the sector, we attach great importance to the following three

areas –

- (a) quality assurance and enhancement, underpinned by a robust quality assurance mechanism;
- (b) support measures for the students and institutions, particularly for full-time locally-accredited programmes offered by non-profit-making institutions; and
- (c) strategic development of the sector and interface with the publicly-funded sector.

### *Quality assurance and enhancement*

8. The Government attaches great importance to the quality of post-secondary programmes offered by both UGC-funded and self-financing institutions. We have put in place a robust quality assurance mechanism for the self-financing sector.

9. All self-financing higher education institutions are subject to the quality assurance mechanism of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) to ensure that its governance structure, academic standards and quality, teacher quality, quality assurance mechanisms and financial condition, etc, meet the requirements. Subsequently, every degree programme that a registered post secondary college proposes to offer is subject to a separate Programme Validation process to ensure that its academic standard is up to degree level. Approval of the Chief Executive in Council is necessary for post-secondary colleges to offer degree or be granted the university title. All local post-secondary qualifications, including degree programmes offered by publicly-funded and self-financing institutions, are quality assured under, and benchmarked against, the Hong Kong Qualifications Framework to enhance public recognition.

10. In the UGC-funded sector, institutions must ensure that all programmes (however funded) must successfully complete their internal quality assurance mechanism and meet all relevant criteria including entry requirements, exit standard and the quality and standards of teaching and learning. As an additional safeguard, the Quality Assurance Council (QAC) was established in 2007 to assure the quality of publicly-funded and self-financing educational provision at first degree level and above levels leading to a Hong Kong award. Separately, the quality of self-financing sub-degree programmes offered by the executive arms of UGC-funded institutions is assured by the Joint Quality Review Committee (JQRC). In our response to the Higher Education Review conducted by UGC in 2010, we further propose that periodic quality audits should be conducted by the HKCAAVQ on community colleges or self-

financing operation at sub-degree level and below under the aegis of UGC-funded institutions.

*Support measures for students and institutions*

11. To support the healthy and sustainable development of the self-financing post-secondary sector, particularly those institutions offering full-time locally-accredited post-secondary programmes, we have implemented a basket of measures, including –

- (a) Land Grant Scheme – The scheme provides land or vacant school premises at nominal premium to self-financing non-profit-making post-secondary institutions for the construction or renovation of college premises. Since the launch of the scheme in 2002, eight land sites and five vacant school premises have been granted. We have just invited applications for two land sites. We have also earmarked two other sites (i.e. the Queen’s Hill site and Tai Wai site) for the development of post-secondary institutions;
- (b) Start-up Loan Scheme – The scheme provides interest-free loans to self-financing non-profit-making post-secondary institutions in support of the development of college premises and reprovisioning of existing premises operating in sub-optimal environment. Launched in 2001, the scheme has a total commitment of \$7 billion and 32 loans totaling HK\$5,190 million had been approved;
- (c) Quality Enhancement Grant Scheme – The scheme supports projects/initiatives dedicated to enhancing the quality of teaching and learning of self-financing programmes. It was launched in 2008 with a one-off injection of \$100 million;
- (d) Self-financing Post-secondary Education Fund – A \$2.5 billion fund was established in November 2011 to provide scholarships to outstanding students pursuing full-time locally-accredited self-financing sub-degree or bachelor degree programmes, and supports worthwhile initiatives and schemes to enhance and assure the quality of self-financing post-secondary education. We envisage that the Quality Enhancement Support Scheme under the fund will assist inter-institutional projects that enhance the teaching and learning support;
- (e) Qualifications Framework Support Schemes (QFSS) – As part of our efforts to support the development of the Qualifications Framework, QFSS encourages and assists education providers in seeking accreditation of their programmes and register the qualifications and programmes in the Qualifications Register (QR). All post-secondary education providers also benefit from the scheme; and
- (f) Research funding – As announced by the Chief Executive in his 2011-

12 Policy Address, we have earmarked \$3 billion in the Research Endowment Fund to support self-financing degree sector in enhancing its academic and research development.

12. The above support measures will support self-financing institutions in upgrading their facilities, curriculum and quality of teaching and learning, and in turn, benefit the students. In addition, we have launched the following measures that bring direct benefit to students –

- (a) Student finance – The Student Financial Assistance Agency (SFAA) provides means-tested and non-means-tested financial assistance for students in the self-financing post-secondary sectors. Since the introduction of the Financial Assistance Scheme for Post-secondary Students (FASP) in 2001, the scheme was improved in 2008 so that full-time students pursuing locally-accredited, self-financing post-secondary education programmes now have access to financial assistance in the forms of means-tested grant and low-interest loans, at a comparable level to their counterparts in the publicly-funded programmes. In the 2010/11 academic year, a total of 22 467 applicants, representing about one-third of eligible students, were paid with grants totaling over \$792 million;
- (b) Information portals – We have launched a dedicated website known as the Information Portal for Accredited Post-secondary Programmes "iPASS" since 2007 to enhance the transparency of the self-financing post-secondary sector and for easy access of information by members of the community. The website provides comprehensive information on all locally-accredited self-financing programmes and programme providers, covering the student enrolment, tuition fee, recognition, etc. In 2011, we have expanded the website to cover all locally-accredited full-time higher diploma, associate degree and degree programmes not covered by the Joint University Programmes Admissions System (JUPAS) from the 2012/13 academic year<sup>4</sup>. In addition, we have launched the Qualifications Register (QR) of all courses which are quality assured and benchmarked under the Qualifications Framework.

13. As announced in the 2011-12 Policy Address and the 2012-13 Budget, we plan to introduce the following new initiatives to support the further development of the self-financing post-secondary education sector –

- (a) to extend the ambit of the Start-up Loan Scheme to support the development of student hostels for the self-financing degree sector, and

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<sup>4</sup> These include publicly-funded associate degree programmes offered by the Vocational Training Council and publicly-funded degree programmes offered by the Hong Kong Academy for Performing Arts.

to increase the commitment of the Start-up Loan Scheme by \$2 billion (which are covered in LC Paper No. CB(2)486/11-12(02));

- (b) to allocate \$2.5 billion to launch the sixth Matching Grant Scheme (MGS) in the post-secondary education sector to help institutions tap more funding sources, improve the quality of education and foster a philanthropic culture; and to extend the ambit to cover all statutory and approved post-secondary institutions to further consolidate their development; and
- (c) to inject \$1 billion into the Self-financing Post-secondary Education Fund to set up more scholarships and awards to give recognition to students with outstanding academic performance or remarkable achievements in other areas.

14. The above measures not only benefit the students but also support the healthy development of self-financing institutions to complement the publicly-funded sector. We expect that by 2015, over one-third of our young people in the relevant age group will have the opportunity to study publicly-funded or self-financing degree programmes. Including sub-degree places, over two-thirds of our young people in the relevant age group will have access to post-secondary education.

*Strategic development and interface with the publicly-funded sector.*

15. As stated in our response to UGC's Higher Education Review (HER) report 2010, we have been treating the publicly-funded and self-financing post-secondary sectors as integral parts of a single interlocking system. Taking into account their different roles, nature and maturity, we have been implementing various measures in this direction –

- (a) At the system level, we have since 2008 implemented the Hong Kong Qualifications Framework (QF), which embraces all qualifications in the publicly-funded and self-financing academic, vocational and continuing education programmes at all levels. We will continue to enhance the infrastructure of the QF for better interface between the two sectors;
- (b) At the institution and programme levels, in addition to implementing a basket of measures targeting those non-profit-making institutions that provide full-time locally-accredited post-secondary programmes, we also facilitate self-financing institutions in their academic planning by sharing information on manpower trends and planning parameters as we do for the UGC-funded sector. We are pleased to note that some self-financing institutions are responding positively in complementing

the publicly-funded sector by enhancing training for our economic pillars and priority industries; and

- (c) To facilitate greater interflow between the publicly-funded and self-financing sectors as well as the sub-degree and degree sectors, we will double by phases the senior year places in the UGC-funded institutions starting in the 2012/13 academic year.

16. To oversee the strategic development of the sector, we have recently established the Committee on Self-financing Post-secondary Education in response to the recommendation of the 2010 HER report. Its terms of reference and membership are set out at Annex B. The Committee will serve as a useful forum to advise the Government on the development of the sector from macro and strategic perspectives.

### **Way forward**

17. Members are invited to note the latest development of the self-financing post-secondary sector. Subject to Members' comment, the Administration intends to submit proposals on further support measures for the self-financing post-secondary sector as outlined in paragraph 13 above for consideration by the LegCo Panel on Education and Finance Committee of LegCo.

Education Bureau  
April 2012



## Operation of self-financing post-secondary programmes

(\$ million)		2008/09				2009/10				2010/11			
		Tuition fee income		Before-investment surplus/deficit		Tuition fee income		Before-investment surplus/deficit		Tuition fee income		Before-investment surplus/deficit	
		FT	PT	Amount	%	FT	PT	Amount	%	FT	PT	Amount	%
<b>Self-financed post-secondary programmes offered by University Grants Committee (UGC)-funded institutions</b>													
CityU (Note 2)	PG	38	172	25	12%	65	181	43	17%	106	185	49	17%
	UG	122	226	93	27%	178	213	108	28%	192	174	91	25%
	SD	250	8	58	22%	264	7	65	24%	275	8	85	30%
	<b>Total</b>		<b>816</b>		<b>176</b>	<b>22%</b>	<b>908</b>		<b>216</b>	<b>24%</b>	<b>940</b>		<b>225</b>
HKBU	PG	40	89	23	18%	47	99	4	3%	62	98	17	11%
	UG	37	46	-20	-24%	57	53	-3	-3%	74	55	1	1%
	SD	87	9	-41	-43%	118	10	-21	-16%	161	11	1	1%
	<b>Total</b>		<b>308</b>		<b>-38</b>	<b>-12%</b>	<b>384</b>		<b>-20</b>	<b>-5%</b>	<b>461</b>		<b>19</b>
LU (Note 3)	PG	6	11	4	24%	8	11	4	21%	12	11	6	26%
	UG	6	2	5	63%	7	2	4	44%	8	3	5	45%
	SD	72	6	-5	-6%	110	6	7	6%	169	7	28	16%
	<b>Total</b>		<b>103</b>		<b>4</b>	<b>4%</b>	<b>144</b>		<b>15</b>	<b>10%</b>	<b>210</b>		<b>39</b>
CUHK	PG	142	194	37	11%	181	247	62	14%	210	288	100	20%
	UG	5	12	1	6%	6	14	3	15%	6	14	2	10%
	SD	106	83	24	13%	112	88	20	10%	134	80	3	1%
	<b>Total</b>		<b>542</b>		<b>62</b>	<b>11%</b>	<b>648</b>		<b>85</b>	<b>13%</b>	<b>732</b>		<b>105</b>
HKIED	PG	-	24	0	1%	-	35	4	11%	-	44	4	9%
	UG	2	-	-	-	5	-	0	4%	9	3	1	5%
	SD	11	6	-1	-6%	15	4	-4	-20%	21	0	-2	-8%
	<b>Total</b>		<b>44</b>		<b>-1</b>	<b>-2%</b>	<b>59</b>		<b>0</b>	<b>1%</b>	<b>77</b>		<b>3</b>
PolyU	PG	65	242	39	13%	87	242	45	14%	108	238	44	13%
	UG	122	197	54	17%	156	194	75	21%	189	193	85	22%
	SD	209	1	-19	-9%	241	0	23	9%	305	-	46	15%
	<b>Total</b>		<b>836</b>		<b>74</b>	<b>9%</b>	<b>920</b>		<b>142</b>	<b>15%</b>	<b>1,034</b>		<b>175</b>
HKUST	PG	61	145	52	25%	86	179	93	35%	100	175	53	19%
	<b>Total</b>		<b>206</b>		<b>52</b>	<b>25%</b>	<b>265</b>		<b>93</b>	<b>35%</b>	<b>275</b>		<b>53</b>
HKU	PG	101	283	81	21%	146	300	109	24%	169	312	140	29%
	UG	69	167	17	7%	78	143	22	10%	85	133	24	11%
	SD	280	198	10	2%	277	187	25	5%	306	172	26	5%
	<b>Total</b>		<b>1,098</b>		<b>108</b>	<b>10%</b>	<b>1,131</b>		<b>156</b>	<b>14%</b>	<b>1,177</b>		<b>190</b>
<b>Self-financing post-secondary institutions</b>													
CIHE	SD	26	-	-7	-28%	25	2	-3	-10%	30	4	0	0%
	<b>Total</b>		<b>26</b>		<b>-7</b>	<b>-28%</b>	<b>27</b>		<b>-3</b>	<b>-10%</b>	<b>34</b>		<b>0</b>
CHC	UG	45	-	-1	-2%	56	-	7	12%	60	-	5	9%
	<b>Total</b>		<b>45</b>		<b>-1</b>	<b>-2%</b>	<b>56</b>		<b>7</b>	<b>12%</b>	<b>60</b>		<b>5</b>
HSMC	UG	-	-	-	-	-	-	-	-	32	-	-3	-9%
	SD	-	-	-	-	-	-	-	-	19	-	-5	-26%
	<b>Total</b>									<b>51</b>		<b>-8</b>	<b>-15%</b>
HKSJU (Note 4)	PG	-	-	-	-	-	-	-	-	1	0	-	-
	UG	196	6	-	-	224	14	-	-	232	5	-	-
	<b>Total</b>		<b>202</b>		<b>102</b>	<b>51%</b>	<b>238</b>		<b>99</b>	<b>42%</b>	<b>238</b>		<b>103</b>
OUHK (Note 5)	PG	3	40	3	7%	3	43	6	14%	4	42	13	28%
	UG	176	203	27	7%	226	213	60	14%	238	208	125	28%
	SD	10	3	1	7%	11	5	2	14%	16	4	5	28%
	<b>Total</b>		<b>434</b>		<b>31</b>	<b>7%</b>	<b>500</b>		<b>69</b>	<b>14%</b>	<b>510</b>		<b>144</b>

## **Notes**

- 1 The operating surpluses exclude tuition fees from non-award bearing courses. The income does not include investment income, major capital investment and repayment of loans under the Start-up Loan Scheme.
- 2 In the case of CityU, its Community College of CityU (CCCU) achieves a steady income and surplus primarily because of cost containment through using shared on-campus facilities and administrative support, lower depreciation charges and facilities management fees.
- 3 In the case of LU, it achieves a relatively high surplus primarily because of the use of part-time staff and lower administrative charges.
- 4 In the case of HKSYU, it achieves a steady surplus primarily because of vigorous cost containment measures such as maintaining a very lean administrative set-up, keeping the remuneration of senior management at a nominal or modest level and using self-owned premises without any additional charges. The surplus, if any, is kept in the university's reserve for enhancing its teaching and learning facilities and implementing new capital projects such as its new Research Complex and hostel development.
- 5 The surpluses/ deficit of OUHK are reported on a university-wide basis. Surpluses are therefore apportioned based on programme income.

## **Abbreviations**

PG	Postgraduate	FT	Full-time
UG	Undergraduate	PT	Part-time
SD	Sub-degree		
CityU	City University of Hong Kong	HKIEd	The Hong Kong Institute of Education
HKBU	Hong Kong Baptist University	PolyU	The Hong Kong Polytechnic University
LU	Lingnan University	HKUST	Hong Kong University of Science and Technology
CUHK	The Chinese University of Hong Kong	HKU	The University of Hong Kong
CIHE	Caritas Institute of Higher Education	HKSYU	Hong Kong Shue Yan University
CHC	Chu Hai College of Higher Education	OUHK	The Open University of Hong Kong
HSMC	Hang Seng Management College		

**Committee on Self-financing Post-secondary Education**

**Terms of Reference**

The Committee on Self-financing Post-secondary Education shall, in the light of the community's needs, advise the Secretary for Education on :

- (a) macro and strategic issues of common interest to the self-financing post secondary education sector;
- (b) quality and development of the self-financing post-secondary education sector; and
- (c) any issues relating to post-secondary education which the Education Bureau may from time to time refer to the Committee.

In discharging its functions, the Committee may set up sub-committees, conduct studies, engage professional services and co-opt members as and when necessary.

**Membership**

**Chairman**

Mr Tim LUI Tim-leung, BBS, JP	雷添良先生	Chairman of the Steering Committee for the Self-financing Post-secondary Education Fund
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**Ex-officio Members**

Mr Patrick CHAN Kai-lung	陳啓龍先生	Members of the Steering Committee for the Self-financing Post-secondary Education Fund
Mr Albert CHOW Hing-pong	周慶邦先生	
Mr CHUNG Shui-ming, GBS, JP	鍾瑞明先生	
Mr Herbert HUI Ho-ming, JP	許浩明先生	
Dr Maggie KOONG May-kay	孔美琪博士	
Professor TAM Kar-yan	譚嘉因教授	
Ms Shirley WONG She-lai, MH	黃詩麗女士	
Mr Martin LIAO Cheung-kong, JP	廖長江先生	Chairman of Hong Kong Council for Accreditation of Academic and Vocational Qualifications or his representative
Mr Edward CHENG Wai-sun, SBS, JP	鄭維新先生	Chairman of University Grants Committee or his representative
Deputy Secretary for Education (1) 教育局副秘書長 (一)		Representative of Secretary for Education

**Non-official Members**

Prof CHAN Tsang-sing	陳增聲教授
Prof Jeffrey KONG Yau-pak	江佑伯教授
Prof LEE Chack-fan, SBS	李焯芬教授
Dr Carrie WILLIS, SBS	邱霜梅博士
Prof Danny WONG Shek-nam	黃錫楠教授