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## INFORMATION NOTE

### Development of self-financing post-secondary sector

#### 1. Background

1.1 At the meeting of the Panel on Education ("Panel") held on 13 October 2011, members agreed that the Panel should be briefed on the policies and progress on the development of self-financing degree-awarding institutions and private universities in Hong Kong. The Panel has scheduled to discuss the subject matter at the meeting to be held on 20 April 2012.

1.2 To facilitate members' discussion, this information note provides background information on the self-financing post-secondary sector including its development, the government's support measures for the sector, quality assurance system, and the relevant review conducted by the University Grants Committee ("UGC").<sup>1</sup> This information note also summarizes the concerns and views of members about the development of self-financing post-secondary sector.

#### 2. Development of self-financing post-secondary education

2.1 In his 2000 Policy Address, the Chief Executive announced that 60% of senior secondary school leavers should have access to post-secondary education within 10 years to meet the needs of a knowledge-based economy. To meet such objective, the Government has adopted a two-pronged strategy of promoting the parallel development of publicly-funded and self-financing post-secondary sectors<sup>2</sup>, thereby providing more education opportunities and choices for school leavers. As a result, the post-secondary education participation rate has increased from about 33% in academic year 2000-2001 to over 60% in recent years.

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<sup>1</sup> The UGC is a non-statutory advisory committee responsible for advising the Government on the development and funding needs of post-secondary institutions in Hong Kong.

<sup>2</sup> Publicly-funded post-secondary sector refers to the eight UGC-funded institutions and the publicly-funded Hong Kong Academy for Performing Arts. Meanwhile, self-financing post-secondary sector includes self-financing degree-awarding institutions such as the Open University of Hong Kong, Hong Kong Shue Yan University, Caritas Institute of Higher Education, Centennial College, Chu Hai College of Higher Education, Hang Seng Management College and Tung Wah College.

2.2 Meanwhile, the self-financing sector has undergone robust development over the past 10 years consequential to the support measures taken by the Government as detailed in paragraphs 3.1-3.7. In academic year 2010-2011, the number of students enrolled in the self-financing post-secondary programmes, i.e. sub-degree (e.g. higher diploma, professional diploma and associate degree) and bachelor's degree programmes, reached 89 200 as against the 85 000 students in the publicly-funded programmes (see **Table 1**).

**Table 1 –Number of students enrolled in the publicly-funded and self-financing post-secondary programmes<sup>(1)</sup> in academic year 2010-2011**

	Number of students enrolled	
	Publicly-funded programmes	Self-financing programmes
Sub-degree	27 000	62 200
Bachelor's degree	58 000	27 000
<b>Total</b>	<b>85 000</b>	<b>89 200</b>

Note: (1) The programmes include both full-time and part-time programmes.

Source: Education Bureau (2012).

### **3. Government's support measures for self-financing post-secondary sector**

3.1 In recent years, the Government has put in place a number of support measures to facilitate the development of self-financing post-secondary sector. These include the establishment of the Land Grant/Vacant School Premises for Post-secondary Education Programme Providers ("Land Grant Scheme"), the Start-up Loan Scheme for Post-secondary Education Providers ("Start-up Loan Scheme") and the Self-financing Post-secondary Education Fund.

#### Land Grant Scheme

3.2 In 2002, the Government introduced the Land Grant Scheme to support the development of self-financing post-secondary sector. The Land Grant Scheme grants land sites at nominal premium for constructing purpose-built premises or vacant school premises at nominal rent for providing post-secondary education.

3.3 More recently, the Government has invited expression of interest for a sizable site at Queen's Hill in Fanling for the development of self-financing post-secondary institution(s) with boarding facilities. The site is expected to provide some 8 000 self-financing degree places. Subject to the responses received, the Government will proceed to the next stage and invite detailed proposals. Earlier on, the Government has launched a new round of the Land Grant Scheme application for the development of two land sites in Tseung Kwan O and Chai Wan East. The application was closed in February 2012 and the results are expected to be announced later this year.

#### Start-up Loan Scheme

3.4 The Start-up Loan Scheme came into place in 2001 with an initial commitment of HK\$5 billion to provide interest-free loan for self-financing post-secondary institutions to purchase, rent or build campuses. In 2008, the scheme was modified to permit offering loans for enhancing teaching and other ancillary facilities (e.g. library and laboratories) to improve students' learning experience. To meet the prospective loan applications, the commitment was raised from HK\$5 billion to HK\$7 billion in 2010. In December 2011, the Government proposed to extend the ambit of the scheme to support the development of student hostels for self-financing institutions and increase the commitment by a further HK\$2 billion.<sup>3</sup>

#### Self-financing Post-secondary Education Fund

3.5 The HK\$2.5 billion Self-financing Post-secondary Education Fund was established in 2011 to promote the development of the self-financing post-secondary sector. The investment income generated under the Fund is allocated to three schemes:

- (a) the Self-financing Post-secondary Scholarship Scheme to award students pursuing full-time locally accredited self-financing post-secondary programmes with outstanding academic performance or significant improvement;

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<sup>3</sup> The proposal has yet to be submitted to the Finance Committee for approval as at the publication of this information note.

- (b) the Quality Enhancement Support Scheme to support projects enhancing the quality of teaching and learning of self-financing post-secondary programmes; and
- (c) the Quality Assurance Support Scheme to provide support for education and training institutions to implement and strengthen quality assurance measures.

3.6 In the 2012-2013 Budget, the Government has proposed to allocate an extra HK\$1 billion to the Fund for establishing more scholarships or award schemes to students with remarkable academic and non-academic (e.g. sports and community services) achievements.

#### Other support measures

3.7 The Government also provides other measures to support self-financing post-secondary institutions, including non-recurrent grants and reimbursement of government rents and rates to self-financing institutions. For needy students pursuing full-time locally accredited self-financing post-secondary programmes, the Government offers them means-tested financial assistance in the form of grants and/or loans for covering tuition fees, academic expenses and living expenses. Non-means-tested loans operating on a no-gain-no-loss and full-cost-recovery basis and travel subsidies are also available to these students.

## **4. Quality assurance system for post-secondary programmes**

4.1 The rapid expansion of the self-financing post-secondary sector in the past decade has resulted in the existence of different authorities responsible for quality assurance of the post-secondary programmes. For example, the semi-autonomous Quality Assurance Council was set up by the UGC in 2007 to provide a third-party oversight of quality of programmes at degree or above level offered by the UGC-funded institutions. Meanwhile, the Joint Quality Review Committee has been established by the Heads of the eight UGC-funded institutions to provide for peer review of the quality assurance processes of the self-financed sub-degree programmes of these institutions. In addition, the post-secondary programmes offered by self-financing institutions are validated by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications ("HKCAAVQ").

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## 5. Review of self-financing post-secondary sector

5.1 The UGC conducted a higher education review in 2009 and submitted a report entitled "Aspirations for the Higher Education System in Hong Kong" to the Government for consideration in December 2010. The Report identified, among other things, three obvious dangers in the growth of the self-financing sector. They were financial failure of an institution offering post-secondary programmes, increasing confusion in the sector as a result of an uncoordinated plurality of initiatives, and inadequate quality of provision. The Report also pointed out that there should be sufficient government regulation to safeguard against the above dangers, as simple reliance on market forces would not work.

5.2 The Report has put forward a number of recommendations in relation to the self-financing sector as follows:

- (a) a single interlocking system governed by an overarching post-secondary education policy for strategic and planning purposes, covering both publicly-funded and self-financing institutions;
- (b) a single oversight body for the self-financing post-secondary sector comparable to the UGC for the publicly-funded sector;
- (c) no public fund subsidy for self-financing educational activities operated by the UGC-funded institutions and greater transparency in the financial relationship between the UGC-funded institutions and self-financing courses either within the institutions or in an affiliate (e.g. community college);
- (d) a complete separation of community college operations from their UGC-funded parent institutions within three years of the acceptance of this recommendation; and
- (e) a single quality assurance body for the entire post-secondary sector by integrating the methods and approaches of quality assessment and accreditation adopted by the Quality Assurance Council, the Joint Quality Review Committee and the HKCAAVQ.

The Administration has accepted the overall strategies and directions recommended in the Report and taken steps to implement the recommendations.

## **6. Members' views and concerns**

6.1 The Panel has discussed, among other things, issues related to the self-financing post-secondary sector at meetings held on 12 April 2010, 10 January 2011, 14 February 2011, 14 November 2011 and 12 December 2011. Major views and concerns of members are summarized in the ensuing paragraphs.

### Provision of financial assistance for needy students

6.2 Members were concerned that students enrolled in the publicly-funded universities received subsidy from the Government for the whole duration of their university programmes, while students enrolled in the self-financing post-secondary institutions received no such subsidy but only grants and/or loans. Many students studying self-financing programmes were in heavy debt and repaying the debt made them difficult to make ends meet.

6.3 Members suggested a number of ways to alleviate the financial burden on students pursuing self-financing post-secondary programmes. For example, the Administration should consider subsidizing these programmes in the form of vouchers for needy students. Alternatively, the Administration should consider allowing local students who were qualified for but were not admitted to publicly-funded degree programmes and had enrolled in self-financing degree programmes to pay the marginal cost for attending the publicly-funded degree programmes, as in the case of non-local students of UGC-funded institutions.

6.4 According to the Administration, publicly-funded financial assistance was provided in the form of grants and/or loans to needy students enrolled in the publicly-funded as well as self-financing post-secondary programmes. In addition, the Administration has set up the Self-financing Post-secondary Scholarship Scheme under the Self-financing Post-secondary Education Fund to grant scholarships to students pursuing full-time locally accredited self-financing post-secondary programmes.

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### Impact of Start-up Loan Scheme on tuition fees of self-financing programmes

6.5 Members expressed concern about the impact of the Start-up Loan Scheme on the tuition fees of self-financing programmes. The borrowing institutions might use a certain percentage of the tuition fee income to repay the start-up loans and the students in effect had to shoulder part of the loans. The Administration advised that institutions had the autonomy to set the tuition fees of self-financing programmes according to market forces. Nevertheless, the Administration would consider the impact of start-up loans on the institutions' financial position in vetting such applications.

### Extension of Matching Grant Scheme to cover sub-degree programmes

6.6 Members considered that the Matching Grant Scheme<sup>4</sup> should not be limited to programmes at degree or above level and should cover sub-degree programmes as well. Sub-degree students, without receiving any subsidy from the Government, had been using their own resources or relying on grants and/or loans to pay for their tuition fees. If private donations for sub-degree programmes were eligible for matching grants, institutions would have more resources for investment in sub-degree education and thus alleviated the financial burden of sub-degree students. In response, the Administration considered that with limited resources, only private donations for programmes at degree or above level should be matched with government grants.

### Coverage of Self-financing Post-secondary Scholarship Scheme

6.7 Some members considered that the amount of government funding allocated to the Self-financing Post-secondary Scholarship Scheme was insufficient to help the large number of students enrolled in the self-financing post-secondary institutions. There were other members suggesting the use of the scholarship scheme to help needy students receive self-financing post-secondary education, in view of a number of scholarships being in place to offer awards to outstanding students by private organizations or affluent individuals. The Administration advised that the scholarship scheme and the student financial assistance schemes served different purposes. Financial assistance schemes targeted at needy students, while the scholarship scheme was not only an award to but also recognition of the outstanding students enrolled in self-financing programmes.

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<sup>4</sup> The Matching Grant was launched in 2003 to improve the quality of programmes at degree or above level by matching private donations secured by post-secondary institutions with government grants.

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## Development of self-financing degree programmes and degree-awarding institutions

6.8 Noting the Administration's plan to step up its efforts in the development of self-financing degree sector, members were worried about the same mistakes being made as in the case of the expansion of self-financing sub-degree sector (e.g. over-supply of sub-degree programmes). The excessive supply of self-financing degree programmes might impact on undergraduates of both the self-financing and publicly-funded institutions. They called on the Administration and the UGC to take proactive steps such as amending the *Post Secondary Colleges Ordinance* (Cap. 320) to regulate the supply of self-financing degree places by imposing academic standards for entry and exit.

6.9 The Administration advised that, having regard to the substantial increase in the number of self-financing post-secondary programmes over the past 10 years, the Administration planned to review the *Post Secondary Colleges Ordinance*, particularly the provisions concerning the regulation of degree programmes offered by self-financing institutions.

6.10 Members were of the view that the mere provision of land by the Administration was inadequate to facilitate the development of good private universities. They pointed out that apart from teaching, a university should undertake research, for which substantial funding was required, and foster students' all-round development. They urged the Administration to critically examine the resources allocated to the development of self-financing degree-awarding institutions to ensure the provision of quality university education. The Administration should also consider providing recurrent fund to private universities with a view to reducing the level of tuition fees.

6.11 The Administration advised that in addition to the Land Grant Scheme and the Start-up Loan Scheme, the Self-financing Post-secondary Education Fund has been established to support the further development of self-financing post-secondary sector. Since self-financing institutions had different development strategies and programmes, their costs of operation varied. When assessing applications for the registration of self-financing degree-awarding institutions, the Administration would consider the academic and development plans of the applicants. The Administration attached great importance to the quality of the self-financing programmes which would be assured through the accreditation by the HKCAAVQ and the quality assurance mechanisms of the UGC-funded institutions.



### Allocation of land sites to post-secondary institutions

6.12 Members were concerned that the land sites made available for the development of self-financing post-secondary institutions might be bid by overseas institutions with a view to making profits. Some members considered that the Administration should not waste the valuable land resources to support prospective self-financing institutions for providing articulation places for sub-degree holders since these institutions would likely charge high tuition fees in order to make a profit or at least to break even.

6.13 The Administration advised that the greenfield sites would be bid by private but not necessarily overseas institutions. The Administration would scrutinize the applications taking into consideration the quality of the proposals and track records of the operating institutions. The institutions would be required to implement their operation plans as outlined in their applications and their performance would be closely monitored and thoroughly assessed.

6.14 Members considered that some sites allocated to self-financing institutions were too small to accommodate the expected intake of students. It would also be difficult for these institutions to provide quality teaching and a quality teaching environment in such a small campus. Members called on the Administration to identify potential sites for the future expansion of self-financing institutions.

### Assurance of quality for post-secondary programmes

6.15 Given the rapid expansion of the self-financing post-secondary sector, members expressed concern about the quality assurance of these programmes. They stressed the importance of ensuring that the high tuition fees paid by students for these programmes were good value for money.

6.16 The Administration advised that the Higher Education Review Report 2010 had highlighted the importance of putting in place a unified quality assurance mechanism for the entire post-secondary sector. Such mechanism should integrate the methods and approaches of quality assessment and accreditation across the sector and ensure the quality of self-financing programmes offered by different institutions. Under the *Post Secondary Colleges Ordinance*, an institution had to be accredited by the HKCAAVQ before it could be registered as a post-secondary institution. The Administration would look into the existing accreditation mechanism and make improvements as necessary.

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