

立法會 *Legislative Council*

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Panel on Education

Meetings on 11 and 14 January 2013

Background brief on issues related to self-financing post-secondary education in Hong Kong

Purpose

This paper provides background information on the self-financing post-secondary education sector and summarizes the views and concerns expressed by Members on related issues.

Overview of the self-financing post-secondary sector

2. In his 2000 Policy Address, the Chief Executive announced that within 10 years, 60% of senior secondary school leavers should have access to post-secondary education to meet the needs of a knowledge-based economy. To this end, the Government has adopted a two-pronged strategy of promoting the parallel development of publicly-funded and self-financing post-secondary sectors. The post-secondary education participation rate has subsequently increased from about 33% in the 2000-2001 academic year to over 60% in recent years. According to the Administration, the self-financing post-secondary 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 exit points for secondary school leavers. The self-financing sector is also conducive to the development of education service and Hong Kong's further development as a regional education hub¹.

¹ See LC Paper No. CB (2)1694/11-12(08) issued by the Education Bureau in April 2012.

3. The self-financing post-secondary sector primarily consists of three components:

- (a) self-financing post-secondary institutions including six approved post-secondary colleges registered under the Post Secondary Colleges Ordinance (cap. 320)², and the Open University of Hong Kong which is a statutory institution operating on a self-financing basis;
- (b) operators of self-financing locally-accredited post-secondary programmes and non-local programmes³;
- (c) publicly-funded higher education institutions⁴ that offer self-financing post-secondary programmes through their self-financing continuing and professional education arms or member institutions under their aegis.

4. Unlike the publicly-funded post-secondary 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 (ranging from a few hours to a few years) etc.

Support measures

5. To support the sustainable development of the self-financing post-secondary sector, particularly those institutions offering full-time locally-accredited post-secondary programmes, the Administration has implemented a basket of support measures, including:

- (a) Land Grant Scheme;
- (b) Start-up Loan Scheme;
- (c) Quality Enhancement Grant Scheme;
- (d) Self-financing Post-secondary Education Fund;
- (e) Qualifications Framework Support Schemes;

² There are currently six approved post-secondary colleges, namely 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.

³ These include institutions such as the Hong Kong College of Technology, Hong Kong Institute of Technology and Savannah College of Art and Design.

⁴ There are currently 10 publicly-funded institutions, namely the eight University Grants Committee-funded institutions, the Hong Kong Academy for Performing Arts and the Vocational Training Council.

- (f) Research funding; and
- (g) Matching Grant Scheme.

Further information on each of the above support measures is given in **Appendix I**.

6. To provide support to needy students, the Student Financial Assistance Agency ("SFAA") provides means-tested and non-means-tested financial assistance for students pursuing self-financing post-secondary programmes. A dedicated website known as the Information Portal for Accredited Post-secondary Programmes has been launched since 2007 to enhance transparency of the self-financing post-secondary sector and for easy access of information. In addition, the Administration has launched the Qualifications Register ("QR") of all courses which are quality-assured and benchmarked under the Qualifications Framework.

Quality assurance

7. The Quality Assurance Council was set up by the University Grants Committee ("UGC") in 2007 to provide a third-party oversight of the quality of programmes (publicly-funded or otherwise) at degree or above level offered by 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 run by the self-financing arms 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").

Review of the self-financing post-secondary sector

8. The UGC conducted a higher education review in 2009 and submitted a report entitled "Aspirations for the Higher Education System in Hong Kong" ("the Report") to the Government in December 2010. The Report has identified three obvious dangers in the growth of the self-financing post-secondary 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. It is pointed out that simple reliance on market forces will not work and that there

must be sufficient government regulation⁵. The Report also contains a number of recommendations relating to the self-financing sector, including the following:

- (a) Government policy should treat all elements of post-secondary educational provision as a single interlocking system for strategic and planning purposes, including both privately and publicly funded institutions.
- (b) There should be a single oversight body for the non-publicly funded part of the post-secondary education system.
- (c) Public funds should not be used by UGC-funded institutions as cross-subsidies for self-financing educational activities. There should be greater transparency in the financial relationship between the UGC-funded institutions and self-financing courses either within the institution or in an affiliate, such as a community college.
- (d) The community college operations of UGC-funded institutions should be completely separated from their parent institutions within three years of the acceptance of this recommendation.
- (e) There should be a single quality assurance body for the whole post-secondary system, which should integrate the methods and approaches of quality assessment, validation and accreditation across the system.

The Administration has accepted the overall strategies and directions recommended in the Report and taken steps to implement the recommendations⁶.

Members' views and concerns

9. Issues related to the self-financing post-secondary education sector have received ongoing attention by the Panel. For example, the Panel discussed the Report at its meetings on 10 January, 14 March and 14 November 2011. The regulation and development of self-financing post-secondary programmes were considered by the Panel at its meetings on 12 December

⁵ See paragraph 3.29 of the Report.

⁶ See Legislative Council Brief on Higher Education Review (File Ref.: EDB (HE) CR 4/21/2041/89) issued by the Education Bureau in November 2011.

2011 and 20 April 2012.

Provision of self-financing post-secondary programmes

10. Some members expressed concern about the proliferation of self-financing study programmes offered by post-secondary institutions, and whether the profits generated from these programmes were used for the benefit of students. They considered it unfair that on the one hand, the institutions made huge profits, but on the other hand, the students had to borrow loans to pay for high tuition fees. Some members urged the Administration to consider specifying certain conditions when granting loans under the Start-up Loan Scheme, such as setting a cap on the profit margin of the self-financing programmes or requiring that the profits be used for improving the quality of the programmes.

11. The Administration advised that institutions had the autonomy to determine the level of tuition fees for their self-financing programmes, the cost structure of which varied among institutions. A balance had to be struck between regulating self-financing post-secondary programmes and preserving the autonomy of the institutions concerned.

12. Members echoed the observation in the Report that simple reliance on market forces would not work and there must be sufficient Government regulation. They called on the Administration and UGC to consider amending the Post Secondary Colleges Ordinance (Cap. 320) to regulate the supply of self-financing degree programmes by imposing academic standards for entry and exit. As confirmed by the Administration, it would review the said Ordinance, in particular the provisions concerning the regulation of degree programmes offered by self-financing educational institutions. It is noted that in October 2012, the Education Bureau ("EDB") issued the "Consultation Document on Review of Post Secondary Colleges Ordinance (Cap. 320) and Post Secondary Colleges Regulations (Cap. 320A)" to seek public views.

Financial aspects

13. In response to members' concerns about the financial aspects of the self-financing post-secondary sector, the Administration informed the Panel in April 2012 of its observations as follows⁷:

- (a) Most of the income from tuition fees was attributable to programmes at postgraduate and undergraduate levels targeting

⁷ See LC Paper No. CB (2)1694/11-12(08) issued by EDB in April 2012.

working adults.

- (b) Regarding the sub-degree programmes which were primarily for full-time school leavers, half of the UGC-funded institutions recorded a before-investment deficit in the 2008-2009 academic year. The situation had improved in subsequent years but year-on-year volatility was significant.
- (c) When setting the fee levels for self-financing programmes, most institutions planned on the basis of a balanced budget. To cater for possible year-on-year volatility, an adequate level of reserve was critical to sustain the healthy operation of the programmes.
- (d) UGC-funded institutions and self-financing institutions were non-profit-making. Any surplus in a year would be kept in their reserve and ploughed back in support of teaching and learning activities for the benefit of students.

14. Some members stressed the importance for the Administration to regulate the level and usage of surplus generated from the self-financing programmes of UGC-funded institutions to ensure that the institutions would not detract from their core activities of providing publicly-funded programmes and would use their surplus for the benefit of students. A number of regulatory measures were put forward to the Administration for consideration, which included setting a cap on the profit margin of self-financing programmes of the UGC sector, specifying that the amount of surplus exceeding the profit margin cap, if any, should be used for reduction of tuition fees or scholarship etc. These regulatory measures should not apply to those self-financing post-secondary institutions which had not received any government funding. However, there was also a view that non-UGC-funded institutions which had been granted land by the Administration should also be subject to government regulation, albeit less stringent.

15. Whilst noting that different regulatory measures should be adopted for the UGC and the non-UGC sectors, the Administration recognized members' concerns about the surpluses generated from the self-financing operations of the UGC-funded institutions. The Administration undertook to bring members' concerns about the operation of self-financing programmes (including the surplus level, usage of the surplus and the mechanism for setting tuition fees) for discussion by the Committee on Self-financing Post-secondary Education ("the Committee") set up on 30 March 2012, and to invite the Committee to discuss measures to promote transparency and good practices. The Terms of Reference and membership of the Committee are at **Appendix II (a)** and **(b)**

respectively. The Administration would report the outcome of the Committee's deliberations⁸ to the Panel in due course.

16. Noting that the average student unit cost for publicly-funded degree programmes was about \$200,000 a year (i.e. \$800,000 for a four-year degree programme) while the average tuition fee for self-financing programmes was around \$50,000 a year (i.e. \$200,000 for a four-year programme), query was raised as to how self-financing post-secondary programmes could generate a surplus of some 10% to 20%.

17. According to the Administration, the costs for publicly-funded and self-financed degree programmes were not directly comparable. About 25% of the funding granted to UGC-funded institutions was for research. Unlike publicly-funded programmes such as those in the medical and engineering disciplines, costly facilities were usually not required for self-financing programmes.

Collaboration between UGC and the Committee

18. Panel members enquired about the interface and coordination between UGC which was responsible for overseeing the publicly-funded sector and the Committee which was tasked to advise the Government on the development of the self-financing post-secondary education sector. As confirmed by the Administration, its policy was to treat all elements of the post-secondary education sector as a single interlocking system. The Chairman of the Committee was a member of UGC while the Chairman of UGC also sat on the Committee. This overlapping membership would help ensure that issues related to the development of the post-secondary sector would be considered in a holistic manner. Other channels were also in place for regular communication between UGC and the Committee. According to the Administration, the Committee would serve as a useful forum to advise the Government on the development of the self-financing post-secondary sector from the macro and strategic perspectives.

Quality assurance of study programmes

19. Given the rapid expansion of the self-financing post-secondary sector, Panel members were deeply concerned about the quality of the self-financing post-secondary programmes offered by various institutions. They stressed the importance of ensuring that the high tuition fees paid by students for these programmes were good value for money.

⁸ At the Panel meeting held on 20 April 2012, EDB informed members that the first meeting of the Committee was scheduled for May 2012.

20. The Administration assured members that it attached great importance to the quality of self-financing programmes which were assured through the accreditation by HKCAAVQ and the quality assurance mechanisms of the UGC-funded institutions. As advised by the Administration, in addition to offering scholarships to outstanding students, the Self-financing Post-secondary Education Fund also provided support for the enhancement of the quality assurance mechanisms of the self-financing post-secondary institutions. It was also noted that as recommended in the Report, a single quality assurance body for the entire post-secondary education sector should be set up. While the Administration would explore the possibility of setting up such a body, it had taken incremental steps to enhance the quality assurance mechanism, such as forming the Liaison Committee on Quality Assurance, through which EDB would follow up issues relating to the institutions' admission and programme arrangements.

Relevant Council motions and questions

21. At the Council meeting on 23 November 2011, Members passed a motion on "Improving further education and employment of sub-degree students"⁹. The Administration was urged to, inter alia, increase the number of first-year and senior year articulation places for publicly-funded universities, offer subsidies in the form of education vouchers or direct subsidies to sub-degree graduates for enrolling on self-financing undergraduate programmes, increase the number of civil service entry ranks for sub-degree graduates etc. In its progress report submitted in February 2012, the Administration gave an account of various ongoing support measures provided to the self-financing post-secondary education sector. The Administration also estimated that through these measures, by 2015, over one-third of the young people in the relevant cohort would have access to degree-level education. Including sub-degree education, over two-thirds of them would have access to post-secondary education.

22. During the 2011-2012 session, Members also raised questions at the Council meetings on 7 December 2011 and 11 January 2012 regarding issues related to quality following the substantial increase in the number of self-financing programmes.

23. Since September 2012, there were media reports alleging that some post-secondary institutions such as the Community College and the Lingnan

⁹ The motion was moved by Hon Cyd HO and passed with amendments by Hon CHEUNG Man-kwong, Hon WONG Kwok-hing, Hon Starry LEE, Dr Hon Priscilla LEUNG and Hon CHAN Hak-kan.

Institute of Further Education operated by the Lingnan University as well as the HKU SPACE Community College had over-enrolled students for their self-financing programmes. The incidents aroused grave public concern about the operation and regulation of the self-financing post-secondary sector and the need to safeguard the interests of students.

24. After the commencement of the Fifth Legislative Council, Dr Hon Kenneth CHAN and Hon IP Kin-yuen expressed concerns about the over-enrolment of students by self-financing post-secondary institutions to their degree and sub-degree programmes in their questions raised at the Council meetings on 7 November and 21 November 2012 respectively. The Members sought information on the extent of the over-enrolment problem at individual institutions, how programme quality and students' interests would be ensured and whether the authorities would conduct a comprehensive review of the mechanism for regulating the self-financing post-secondary sector.

25. In its reply, the Administration advised that as the 2012-2013 academic year was a double-cohort year¹⁰, the institutions had to reserve places for students under both the new and old academic structures and encountered considerable challenges in admission arrangements. In addition to reporting on the student intake of individual institutions and the remedial actions taken by the institutions concerned to address over-enrolment, the Administration has confirmed that EDB will follow up issues related to the admission and programmes of these institutions through the Liaison Committee on Quality Assurance with HKCAAVQ, the Joint Quality Review Committee and the Quality Assurance Council.

26. At the Council meeting of 19 December 2012, Members passed a motion on "Reviving the quality of local education and stopping the blind industrialization of education" urging the Administration to, inter alia, draw up a policy for regulating tertiary institutions on programme offers and student admission, and to set up a single oversight body for non-publicly-funded post-secondary education.

Latest position

27. The Panel will hold a special meeting on 11 January 2013 to exchange views with deputations and the Administration on issues related to "Self-financing post-secondary education", to be followed by further discussion with

¹⁰ In 2012, the first cohort of students sitting the Hong Kong Diploma of Secondary Education Examination and the last cohort of day school students sitting the Hong Kong Advanced Level Examination completed their secondary education at the same time.

the Administration at the meeting on 14 January 2013.

Relevant papers

28. A list of the relevant papers on the Legislative Council website is in **Appendix III**.

Council Business Division 4
Legislative Council Secretariat
4 January 2013

Support measures for self-financing post-secondary institutions

- (a) **Land Grant Scheme** – Launched in 2002, 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.
- (b) **Start-up Loan Scheme** – Launched in 2001 with a commitment of \$5 billion, 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 a sub-optimal environment. In February 2010, the commitment of the scheme was increased to \$7 billion. In May 2012, the ambit of the scheme was extended to support the development of student hostels for the self-financing tertiary education sector and the total commitment of the scheme was increased to \$9 billion.
- (c) **Quality Enhancement Grant Scheme** – Launched in 2008 with a one-off injection of \$100 million, the scheme supports projects/initiatives dedicated to enhancing the quality of teaching and learning of self-financing programmes.
- (d) **Self-financing Post-secondary Education Fund** – Established in November 2011 with a commitment of \$2.5 billion, the fund provides scholarships for outstanding students of full-time self-financing sub-degree and bachelor degree programmes and supports initiatives to assure and enhance the quality of self-financing post-secondary education. A new commitment of \$1 billion was injected to the fund in June 2012 to establish more scholarships and awards to give recognition to post-secondary students with outstanding academic performance or remarkable achievements in other non-academic fields.
- (e) **Qualifications Framework Support Scheme** – To support the development of the Hong Kong Qualifications Framework launched in May 2008, the scheme encourages and assists education providers in seeking accreditation of their programmes and register the qualifications and programmes in the Qualifications Register.

- (f) **Research funding** – As announced by the then Chief Executive in his 2011-2012 Policy Address, \$3 billion has been earmarked in the Research Endowment Fund to support the self-financing degree sector in enhancing its academic and research development.

- (g) **Matching Grant Scheme** – Launched in 2003, the scheme helps the higher education sector diversify its funding sources by awarding grants to match the private donations secured by the participating institutions. The first three rounds were open to the eight University Grants Committee-funded institutions only; and the fourth round included two local self-financing degree-awarding institutions. The fifth round was further extended to cover one more local self-financing degree-awarding institution and the Hong Kong Academy for Performing Arts. In each of the past five rounds of the scheme, a total of \$1 billion was made available for matching. In June 2012, the sixth round of the scheme was launched and its scope was extended to cover all statutory post-secondary institutions and approved post-secondary colleges, as well as self-financing sub-degree programmes. A total of \$2.5 billion has been earmarked for the sixth round of the scheme.

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.

Committee on Self-financing Post-secondary Education

Membership

(from 1 April 2012 to 31 March 2014)

Chairman

Mr Tim LUI Tim-leung, BBS, JP Chairman of the Steering Committee for
the Self-financing Post-secondary
Education Fund

Ex-officio Members

- (a) Members of the Steering Committee for the Self-financing Post-secondary Education Fund

Mr Patrick CHAN Kai-lung
Mr Albert CHOW Hing-pong
Mr CHUNG Shui-ming, GBS, JP
Mr Herbert HUI Ho-ming, JP
Dr Maggie KOONG May-kay
Professor TAM Kar-yan
Ms Shirley WONG She-lai, MH

- (b) Chairman of Hong Kong Council for Accreditation of Academic and Vocational Qualifications or his representative

Hon Martin LIAO Cheung-kong, JP

- (c) Chairman of University Grants Committee or his representative

Mr Edward CHENG Wai-sun, SBS, JP

- (d) Representative of Secretary for Education

Deputy Secretary for Education (1)

Non-official Members

Prof CHAN Tsang-sing
Prof Jeffrey KONG Yau-pak
Prof LEE Chack-fan, SBS
Dr Carrie WILLIS, SBS
Prof Danny WONG Shek-nam

Source:

- 1. Information paper provided by the Education Bureau (LC Paper No. CB(2)1694/11-12(08)) in April 2012*
- 2. Press Release of the HKSAR Government dated 30 March 2012
Available from: <http://www.info.gov.hk/gia/general/201203/30/P201203300514.htm>*

List of relevant papers

Committee	Date of meeting	Paper
Panel on Education	10.1.2011 (Item VI)	Agenda Minutes CB(2)718/10-11(04) CB(2)602/10-11(01)
Panel on Education	14.3.2011 (Item VI)	Agenda Minutes CB(2)1213/10-11(03) CB(2)718/10-11(04) CB(2)602/10-11(01)
Panel on Education	14.11.2011 (Items IV and V)	Agenda Minutes EDB(HE)CR 5/2041/08 EDB(HE)CR 4/21/2041/89
Legislative Council	23.11.2011	Official Record of Proceedings Pages 244 – 332 Motion Progress report provided by the Administration
Legislative Council	7.12.2011	Official Record of Proceedings Pages 137 – 156 (Question 8)
Panel on Education	12.12.2011 (Item VI)	Agenda Minutes CB(2)486/11-12(06)
Legislative Council	11.1.2012	Official Record of Proceedings Pages 83 – 93 (Question 6)

Committee	Date of meeting	Paper
Panel on Education	20.4.2012 (Item VII)	Agenda Minutes CB(2)1694/11-12(08) IN21/11-12 IN22/11-12
Legislative Council	7.11.2012	Official Record of Proceedings Pages 88-104 (Question 12)
Legislative Council	21.11.2012	Official Record of Proceedings Pages 88 – 97 (Question 13)

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