

**For discussion
on 18 March 2014**

Legislative Council Panel on Education

**Issues related to the Governance and Regulation
of the Self-financing Post-secondary Sector**

Purpose

This paper briefs Members on the recent development of the self-financing post-secondary education sector.

Overview

2. It is our policy to support the parallel development of the publicly-funded and self-financing post-secondary education sectors. Since 2000, the self-financing post-secondary education sector in Hong Kong has witnessed remarkable growth and development. The 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 sector also helps diversify our higher education sector and is conducive to Hong Kong's further development as a regional education hub. In addition, the self-financing sector is characterised by its responsiveness to changing society needs, thereby playing a pivotal role in upgrading the quality of the human resources in Hong Kong by offering a wide array of programmes for school leavers, our workforce and the community at large.

3. It is noteworthy at the outset that higher education institutions in Hong Kong, whether publicly-funded or self-financing, enjoy a high degree of autonomy and academic freedom. The community naturally has a stronger interest in the publicly-funded sector which receives capital and recurrent subvention from the public purse. As regards the self-financing post-secondary sector which does not receive recurrent subsidy from the Government save for some support measures mentioned in paragraphs 7(c) and 8 below, the Government should confine its role based on the principles of reasonableness and proportionality. The focus should be placed on safeguarding quality assurance, good

governance and the interest of students. While there is no generally accepted model of good governance, it is noted that most would agree that the key elements for a good governance framework include accountability, transparency and effectiveness.

Existing Regulatory Frameworks

4. The self-financing post-secondary education sector in Hong Kong primarily consists of three different components –

- (a) Self-financing post-secondary institutions including approved post-secondary colleges registered under the Post Secondary Colleges Ordinance¹ (Cap. 320) and the Open University of Hong Kong, which is a statutory institution operating on a self-financing basis;
- (b) Operators of locally-accredited self-financing post-secondary programmes and non-local programmes²; and
- (c) Publicly-funded higher education institutions³ that offer self-financing post-secondary programmes primarily through their self-financing continuing and professional education arms or member institutions under their aegis.

5. It is noteworthy that legislation is not the only means through which the Government monitors and ensures the proper governance and operation of the self-financing sector. The Government has implemented a basket of administrative measures to enhance the quality assurance, governance and transparency of the sector, as set out in the ensuing paragraphs.

¹ 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 Institution of Higher Education and Centennial College. The Post Secondary Colleges Ordinance and its Regulations stipulate the legal requirements for the registration and monitoring of post-secondary education institutions.

² 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. Besides, there are over 1 000 non-local courses being registered or exempted under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493).

³ 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.

Quality Assurance

6. Quality assurance is instrumental for upholding standards, accountability and improvement. The Government attaches great importance to the quality of post-secondary programmes offered by both University Grants Committee (UGC)-funded and self-financing institutions. Currently, there are three quality assurance bodies in Hong Kong to monitor the quality of the post-secondary education sector. The Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) is a statutory body responsible for the quality assurance of all operators and programmes except the UGC-funded institutions which enjoy self-accrediting status⁴. The Quality Assurance Council (QAC) is a semi-autonomous non-statutory body under the aegis of the UGC to conduct quality audits of UGC-funded institutions and programmes offered at undergraduate level and above, however funded. The Joint Quality Review Committee (JQRC) was established by the Heads of Universities Committees to provide peer review of the quality assurance processes of self-financing sub-degree programmes offered by the UGC-funded institutions.

7. UGC recommended in its Report on Higher Education Review 2010 that a single quality assurance body for the entire post-secondary sector should be set up. While the Government will explore the possibility of eventually setting up a single quality assurance body, we have been implementing incremental administrative measures to enhance the quality assurance mechanism –

- (a) The Government has transformed the Tripartite Liaison Committee (comprising the Education Bureau (EDB), HKCAAVQ and JQRC) and formed the Liaison Committee on Quality Assurance (LCQA) by engaging QAC. The goals of the Committee are to promote in a more efficient and effective manner sharing of good practices among all the quality assurance bodies and enhance consistency and transparency so as to enhance accountability;
- (b) As stated in its response to the UGC's Report on Higher Education Review, the Government considers that periodic external audits and reviews should be conducted on community colleges or self-financing sub-degree operations under the aegis

⁴ The Hong Kong Institute of Education has self-accrediting status in respect of its teacher education learning programmes. Its non-teacher education learning programmes are subject to validation by HKCAAVQ.

of UGC-funded institutions so as to enhance quality assurance and ensure consistency and coherence in standards. To this end, a working group involving UGC, UGC-funded institutions, HKCAAVQ and EDB has been established to plan for and oversee the implementation details; and

- (c) In connection with (b), EDB has stipulated under the Sixth Matching Grant Scheme launched in August 2012 that UGC-funded institutions would need to undertake that their sub-degree operations benefitting from this Scheme should be subject to periodic external quality audits in future. UGC-funded institutions participating in Land Grant Scheme, Start-up Loan Scheme and Quality Enhancement Support Scheme under the Self-financing Post-secondary Education Fund starting from mid-2012 have also been required to make a similar undertaking.

8. In fact, the Government has implemented a basket of measures to help enhance the quality of education provided by the self-financing post-secondary education sector. Apart from the various schemes mentioned in paragraph 7(c) above, the Government also provides quality assurance subsidies, student financial assistance, Self-financing Post-secondary Scholarship Scheme and Research Endowment Fund to support the healthy and sustainable development of the self-financing sector.

Governance and Transparency

9. As mentioned in paragraph 4 above, the self-financing post-secondary education sector in Hong Kong primarily consists of three different components and they are governed under different regulatory frameworks. Among other things, the governing ordinances of respective institutions specify the composition and functions of the governing bodies, as well as the various requirements that the institutions have to fulfil. All institutions registered under the Post Secondary Colleges Ordinance shall be subject to, among others, the requirements of the legislation on the governance framework including the composition and functions of the Board of Governors, College Council and other relevant bodies.

10. It is worth noting that the Ordinance provides the institutions with a high degree of institutional autonomy and academic freedom not unlike that, in essence, given to UGC-funded institutions under their respective statutes. While the Government is mindful not to interfere with the internal affairs of institutions, we strive to enhance the

governance, quality and transparency of the self-financing sector through a number of measures as set out in paragraphs 11 to 24 below.

Committee on Self-financing Post-secondary Education

11. In order to oversee the strategic development of the sector and to advise the Government, we established the Committee on Self-financing Post-secondary Education (CSPE) on 1 April 2012 in response to the recommendation of the UGC's Report on Higher Education Review 2010. The Committee serves as a useful platform for discussing macro and strategic issues of common interest to the self-financing post-secondary sector, as well as promoting quality and good practices. The major initiatives of the CSPE include the following –

- (a) In order to promote the enhancement of quality and to support the sustainable development of the self-financing sector, CSPE has engaged a consultant to conduct a **consultancy study** to identify major development and models of good practices on governance and quality assurance with reference to local, regional and international experiences. It is expected that the consultancy study will be completed at around mid-2014 and the findings will be promulgated with a view to developing a code of good practices for further advancing the development of the sector;
- (b) CSPE has also launched the website **Concourse** in December 2013, which is the first online information platform set up for the whole self-financing post-secondary sector. It serves to promote public awareness of the development of the sector and to provide different aspects of information on self-financing post-secondary education. *Concourse* contains comprehensive information and statistics on the sector, which helps enhance transparency and accountability of the sector⁵; and
- (c) CSPE organised the “**Seminar on Closer Alignment between Post-secondary Education Institutions and Industries**” on 30 October 2013 to serve as a catalyst to promote exchanges

⁵ Through this platform, members of the public can have access to more information about the self-financing post-secondary sector, including related government policy, the regulatory framework, government support measures, quality assurance, graduates' progression pathways and information on the self-financing post-secondary education institutions, such as campus facilities, application and admission arrangements, support services, scholarships and awards as well as activities. In addition, institutions have also provided the admission scores of intakes for the 2013/14 academic year and overviews of organisational governance, which serve as a reference for students in making articulation decisions and help enhance the transparency of the sector.

between institutions and industries in broadening opportunities for young people, and improving their employability and nurturing talents for the social and economic development of Hong Kong.

Concerted collaboration among the institutions

12. Overall speaking, the self-financing sector has been making concerted effort in safeguarding quality of education and enhancing support for students through various arrangements coordinated by the Government or among themselves –

- (a) To enhance support for students and to enable institutions to process application and admission in an orderly and efficient manner, institutions have adopted common application and admission arrangements for locally-accredited post-secondary programmes not covered by the Joint University Programmes Admissions System (JUPAS) since 2012, including common deadline for payment of enrolment deposits; designated webpages showing the list of programmes that are still open for application; benchmarking enrolment deposits at not more than \$5,000; and common deadline for application of refund of enrolment deposit;
- (b) Since December 2012, the Information Portal for Accredited Post-secondary Programmes (iPASS) has publicised the estimated intake places of institutions offering full-time locally-accredited self-financing sub-degree and undergraduate programmes to enhance transparency;
- (c) Member institutions of the Federation for Self-financing Tertiary Education (FSTE) promulgated in April 2013 a set of guidelines for their locally-accredited self-financing programmes at undergraduate level and below to enhance consistency and transparency in enrolment and admission arrangements. The guidelines stipulate the arrangements agreed among member institutions in relation to the recruitment ceilings for locally-accredited programmes; admission requirements; advanced standing; pre-admission publicity activities, etc.;
- (d) In view of concerns from the community from time to time about the employability of graduates from the self-financing sector, EDB issued a letter to all institutions offering self-financing sub-degree and degree programmes in August 2013, encouraging them to –

- (i) take due account of the demographic and manpower trends in Hong Kong and individual economic sectors in planning or updating their programmes; and
 - (ii) attach greater importance to enhancing the employability of the graduates, having regard to local and international good practices; and
- (e) EDB has been communicating with institutions with a view to discussing strategies and issues relating to the consolidation of the sub-degree sector in the light of declining post-secondary student population in the coming years. We plan to arrange a sharing session for institutions in the second quarter of 2014 to exchange views in this regard.

Financial aspects

13. Generally speaking, 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, and the maintenance, replacement and improvement of teaching and learning facilities for the benefits of students.

Finance Affairs Working Group

14. 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-subsidisation 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. In this regard, UGC had established the Financial Affairs Working Group (FAWG) earlier to work with institutions to help ensure their continuing good financial governance, having due regard to the principle of institutional autonomy. FAWG has completed its review and the Report⁶, including nine recommendations therein, was accepted by UGC and promulgated to UGC-funded institutions in September 2013. The recommendations focus on cost allocation practices and financial transparency, so as to provide more assurance to the public that the use and application of public funds are appropriate, i.e. institutions shall only

⁶ The Report is available at www.ugc.edu.hk/eng/doc/ugc/publication/report/FAWG_Rpt2013.pdf.

use UGC funds for the activities eligible for public support. In this regard, UGC has set up the Financial Affairs Expert Working Group to work with UGC-funded institutions on the implementation of recommendations in respect of cost allocation and financial transparency in the FAWG Report and to review the cost allocation recommendations with a view to establishing detailed guidance for institutions.

Tuition fees

15. There have been concerns in the community from time to time on the setting of tuition fees by self-financing institutions. We understand from institutions that when setting the tuition 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 market, 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.

16. The tuition fees of full-time locally-accredited self-financing sub-degree and undergraduate programmes from the 2010/11 to 2013/14 academic years by institutions are summarised at **Annex**. Overall speaking, based on the figures provided by institutions, it is noted that the increases of the average annual tuition of institutions are moderate in which the average increase for sub-degree and undergraduate programmes were 4.1% and 3.3% in the 2013/14 academic year as compared with the tuition fees in the previous year.

Support for Students

17. We attach great importance to supporting students in the self-financing post-secondary education sector in multiple ways.

Student financial assistance

18. Over the past few years, we have implemented concrete measures to enhance the financial assistance for students of self-financing post-secondary programmes. Notable examples are set out below –

- (a) Starting from the 2006/07 academic year, we have improved the Financial Assistance Scheme for Post-secondary Students (FASP) by putting the means-tested grants on par with those under the Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS) by applying the same means test formula. Furthermore, the amount of grant for academic expenses was increased to \$3,000 per student and would be adjusted according to annual price adjustment in accordance with the movement of the Consumer Price Index (A) (CPI(A)).
- (b) With effect from the 2008/09 academic year, FASP was further expanded to provide means-tested loans to students to cover their living expenses and FASP was extended to cover sub-degree graduates studying full-time locally-accredited self-financing undergraduate or top-up degree programmes in Hong Kong.
- (c) With effect from the 2012/13 academic year, we have introduced further enhancements including –
- ◆ Relax the age limit for the scheme from 25 to 30;
 - ◆ Remove the requirements/ restrictions on prior academic qualification for the purpose of applying for assistance;
 - ◆ Remove the repayment requirement of grants for those students who fail to obtain the intended qualification;
 - ◆ Reduce the interest rate of the Living Expenses Loan from 2.5% per annum to 1.0% per annum.; and
 - ◆ Extend the standard repayment period of the Living Expenses Loan from 5 years to 15 years.
- (d) The 2014 Policy Address mentioned that we will invite the Community Care Fund (CCF) Task Force to consider increasing the academic expenses grant for needy students pursuing eligible self-financing post-secondary programmes. At its meeting on 10 March 2014, CCF Task Force has approved an increase of academic expenses grant to \$6,700 per annum.
- (e) The 2014 Policy Address also announced that the Government will regularise the measure to give student loan borrowers who complete their studies the option to start repaying their student loans one year after completion of studies. This measure can effectively alleviate the financial burden of fresh graduates and allow them more time to secure a stable job.

19. The above improvement measures have significantly relieved the financial burden of needy students pursuing self-financing post-secondary

education. In summary, needy students are now eligible for tuition fee grant to cover the annual tuition fees payable subject to a ceiling, academic expenses grant and low-interest living expenses loan. In addition, they may apply for non-means-tested loan if necessary.

20. Government expenditure on means-tested grant and loan has increased from \$23.69 million and \$27.39 million in the 2001/02 academic year to \$1,210.86 million and \$254.78 million in the 2013/14 academic year respectively. The number of grant recipients has also increased from 630 to about 26 000 in the same period. Around 60% of the grant recipients have received full grant as a result of the relaxation of the income ceiling for full level of assistance under the means test mechanism.

Scholarships and other financial support measures

21. The Self-financing Post-secondary Education Fund established in 2011 provides scholarships for students in the sector. A total of 2 599 outstanding students from about 30 participating institutions received about \$59 million in scholarships and awards, ranging from \$10,000 to \$80,000 per student, in the 2012/13 academic year. We expect that the Fund will support around 6 800 scholarships and awards per year in a steady state.

22. The 2014 Policy Address has also announced the introduction of a means-tested subsidy of up to \$15,000 for needy students pursuing full-time locally-accredited undergraduate or sub-degree programmes and receiving student financial assistance to participate in exchange programmes outside Hong Kong. The exchange programmes should be confined to those arranged by the institutions, and only students nominated by their institutions to participate in the exchange programmes are eligible to apply for the subsidy. We estimate that this initiative would benefit around 9 800 post-secondary students per year, including students in locally-accredited self-financing post-secondary programmes.

Transparency and convenience

23. Over the past decade, we have launched new measures to enhance the transparency of the sector so that students can make informed choices of the programmes according to their interest and abilities. Examples include the one-stop portal of Concourse and iPASS mentioned in paragraphs 11(b) and 12(b).

24. We also launched the E-APP (Electronic Advance Application System for Post-secondary Education Programmes) as a one-stop internet-based online application system to facilitate the Hong Kong Diploma of Secondary Education (HKDSE) Examination candidates to lodge advance applications for locally-accredited post-secondary programmes not covered under the JUPAS. E-APP applicants may receive conditional offers from institutions before the announcement of public examination results.

Theme-based Subsidy Scheme

25. In connection with the financial assistance for students pursuing self-financing post-secondary programmes, the Chief Executive has announced in his 2014 Policy Address that the Government will study the feasibility of a new scheme, namely the Theme-based Subsidy Scheme, to subsidise up to 1 000 students per cohort to pursue self-financing undergraduate programmes in selected disciplines to meet Hong Kong's manpower needs. We are working with relevant bureaux on the implementation details of the proposed scheme.

Way forward

26. Members are invited to note the recent development of the self-financing post-secondary sector and offer comments.

Education Bureau
March 2014

**Tuition Fees of Full-time Locally-accredited Self-financing Sub-degree and Undergraduate Programmes by Institution
from the 2011/12 Academic Year to the 2013/14 Academic Year**

Institution	Average Annual Tuition Fee (\$)					
	2011/12		2012/13 ^[1]		2013/14 ^[1]	
	Sub-degree	Undergraduate	Sub-degree	Undergraduate	Sub-degree	Undergraduate
Caritas Bianchi College of Careers	45,473 - 50,790	-	49,045 - 53,840	-	51,015 - 56,540	-
Caritas Institute of Higher Education	45,160 - 49,495	54,715	49,045 - 52,750	57,230	51,015 - 55,390	60,095 - 61,903
Centennial College	-	-	-	87,000	-	87,000
Chu Hai College of Higher Education	-	53,000	-	55,000	-	53,429 - 61,500
City University of Hong Kong - Community College of City University	36,000 - 53,100	-	47,250 - 56,250	-	47,250 - 56,250	-
Hang Seng Management College	40,000	62,500	45,000	63,500	48,000	66,500
HKU SPACE Po Leung Kuk Community College	42,800 - 49,800	-	51,150	-	52,500	-
Hong Kong Adventist College	-	-	39,600	-	39,600	-
Hong Kong Art School ^[2]	40,500	-	43,000	77,522	45,000	81,400
Hong Kong Baptist University and its School of Continuing Education and College of International Education	36,000 - 50,000	-	48,750 - 58,720	-	48,750 - 66,978	-
Hong Kong Buddhist College	-	-	38,000	-	38,000	-
Hong Kong College of Technology	36,895 - 40,800	-	41,000 - 49,480	-	43,740 - 51,600	-
Hong Kong Institute of Technology ^[2]	32,400 - 42,120	42,120 - 43,080	35,800	42,120 - 45,000	37,400	45,000
Hong Kong Shue Yan University	-	55,000	-	55,000	-	55,000
Kaplan Business and Accountancy School	-	-	48,000	-	48,000	-
Lingnan University - The Community College at Lingnan University and Lingnan Institute of Further Education	35,000 - 50,000	-	43,800 - 50,000	-	43,800 - 50,000	-
Pui Ching Academy	-	-	39,000	-	41,000	-
Sacred Heart Canossian College of Commerce	41,400	-	43,700	-	-	-
SCAD Foundation (Hong Kong) Limited / Savannah College of Art and Design, Inc. ^[2]	-	253,460	-	266,939	-	279,755
School of Continuing and Professional Studies, The Chinese University of Hong Kong	40,333 - 49,150	-	42,000 - 49,150	-	45,225 - 49,810	-
The Chinese University of Hong Kong - Tung Wah Group of Hospitals Community College	47,000 - 50,000	-	-	-	-	-
The Hong Kong Institute of Education	31,800 - 46,800	78,000 - 85,866	41,800 - 46,800	72,000 - 77,500	48,100	72,000 - 80,000

Institution	Average Annual Tuition Fee (\$)					
	2011/12		2012/13 ^[1]		2013/14 ^[1]	
	Sub-degree	Undergraduate	Sub-degree	Undergraduate	Sub-degree	Undergraduate
The Hong Kong Polytechnic University - Hong Kong Community College	39,600 - 52,470	-	49,200 - 54,120	-	50,400 - 55,440	-
The Open University of Hong Kong and Li Ka Shing Institute of Professional and Continuing Education ^[2]	34,500 - 54,337	46,750 - 62,910	43,000 - 55,800	49,600 - 62,000	45,000 - 66,365	52,000 - 65,000
The University of Hong Kong - HKU SPACE & HKU SPACE Community College ^[2]	42,800 - 59,000	-	52,500 - 62,000	57,200	52,500 - 72,000	59,200
Tung Wah College	80,300	66,000	52,500 - 79,200	66,000 - 99,200	52,500 - 79,200	66,000 - 108,800
Vocational Training Council	42,000 - 44,800	-	46,500 - 47,750	66,150 - 75,900	46,500 - 47,750	66,150 - 75,900
Yew Chung Community College	40,000 - 51,000	-	53,550	-	60,500	-
YMCA College of Careers	-	-	43,000	-	44,250	-

Notes:

[1] Tuition fee information does not cover the sub-degree programmes provided under the old academic structure.

[2] Institutions providing locally-accredited non-local first-year-first-degree programmes.

"-" Denotes no related programme was offered.