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Panel on Education

Meeting on 18 March 2014

**Background brief on issues related to
the governance and regulation of
the self-financing post-secondary education sector**

Purpose

This paper summarizes the views and concerns expressed by Members on issues related to the governance and regulation of the self-financing post-secondary education sector.

Overview of the self-financing post-secondary education 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 education 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.

3. According to the Administration, 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 exit points for secondary school leavers. The self-financing sector also helps diversify Hong Kong's 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 human resources in Hong Kong by offering a wide array of continuing and

professional education and lifelong learning opportunities for the workforce and the community at large¹.

4. The self-financing post-secondary education 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.

5. The Committee on Self-financing Post-secondary Education ("the Committee") was established on 1 April 2012 in response to the recommendation of the University Grants Committee ("UGC")'s Report on Higher Education Review 2010. The Committee serves as the 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 terms of reference and membership of the Committee are at **Appendix I (a)** and **(b)** respectively.

Support measures

6. The Government has implemented a basket of measures to support the quality and sustainable development of the self-financing post-secondary education sector. These measures include land at nominal premium, interest-free start-up loans, quality assurance subsidies and a \$3.5 billion Self-financing

¹ See LC Paper No. CB (4)279/12-13(01) issued by the Education Bureau in January 2013.

² As at February 2014, there are 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 SCAD Foundation (Hong Kong) Limited / 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.

Post-secondary Education Fund to provide scholarships and support quality enhancement efforts of institutions. A total of \$3 billion has been earmarked in the Research Endowment Fund to support the self-financing degree sector in enhancing its academic and research development. In addition, the sector may benefit from the \$2.5 billion Sixth Matching Grant to help tertiary institutions tap more funding sources.

7. The Education Bureau ("EDB") first launched the Electronic Advance Application System for Post-secondary Programmes in February 2012. This one-stop Internet-based service facilitates secondary school candidates sitting for public examinations to lodge advance applications for locally-accredited post-secondary programmes not covered by the Joint University Programmes Admissions System.

8. To provide support to needy students, the Student Financial Assistance Agency ("SFAA") provides means-tested grants and non-means-tested low-interest loans for full-time students pursuing locally-accredited self-financing post-secondary programmes. Meritorious students may benefit from the scholarships provided under the Self-financing Post-secondary Education Fund.

Quality assurance

9. The Quality Assurance Council ("QAC") was set up by UGC in 2007 to provide 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 ("JQRC") 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 education sector

10. 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.

Views and concerns raised at Panel meetings

11. Issues related to the governance and regulation of the self-financing post-secondary education sector have received ongoing attention by the Panel on Education ("the Panel") in the current and past terms of Legislative Council

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.

("LegCo"). For instance, after the commencement of the Fifth LegCo, the Panel held special meetings to exchange views with the Administration and deputations (including various institutions, student bodies and other concern groups) on the governance and regulation of the sector. At the Panel meeting held on 14 January 2013, members passed a motion urging the Administration to, amongst others, increase subsidized undergraduate places and set up an independent statutory body to oversee the quality assurance and governance of self-financing post-secondary institutions.

Provision of self-financing post-secondary programmes

12. At its meetings held in January 2013, the Panel had followed up with the Administration and deputations issues arising from the over-enrolment to self-financing post-secondary programmes offered by some institutions in September/October 2012. Quite a number of members expressed grave concern about the proliferation of these programmes as a means to generate income for individual institutions. Members were worried that under a commercialized and market-driven approach, self-financing post-secondary education had become merely the provision of study places in a massive manner and the indiscriminate admission of as many students as possible.

13. Noting members' concerns about the enrolment of students to self-financing programmes, the Administration advised that individual institutions had encountered some problems in the forecast of student intake in 2012 which was a double-cohort year. It was not expected that similar difficulty would arise in subsequent years as institutions would not need to handle the intake of two cohorts of students at the same time.

14. Many members urged the Administration to address the inadequate provision of subsidized undergraduate places. For instance, it was noted that in the double cohort year of 2012, of the 70 300 candidates sitting the Hong Kong Diploma of Secondary Education ("HKDSE") Examination and the 31 300 candidates sitting the Hong Kong Advanced Level Examination, about 26 400 and 18 200 met the minimum entrance requirements for local undergraduate programmes respectively⁷. However, there were only 30 300 publicly-funded undergraduate places. Members considered the higher education system in Hong Kong highly selective. They pointed out that it was due to the huge demand for higher education places that self-financing post-secondary programmes had grown in leaps and bounds, often beyond the capacity of individual institutions and at the expense of the quality of learning and teaching.

⁷ For HKDSE Examination candidates applying for the four-year undergraduate programmes, the minimum general entrance requirements are Level 3 or above in Chinese Language and English Language, and Level 2 or above in Mathematics and Liberal Studies (i.e. "3322")

Many members stressed the need to increase the number of publicly-funded undergraduates places.

Quality assurance

15. Given the rapid expansion of the self-financing post-secondary sector, Panel members were deeply concerned about the quality of self-financing post-secondary programmes offered by various institutions. 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. 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.

16. Noting that as many as three different bodies were currently involved in the quality assurance/accreditation of different post-secondary education providers, the Panel had pursued with the Administration the progress of and timetable for setting up a single quality assurance body for the entire post-secondary education sector as recommended in the Report of UGC's higher education review.

17. According to the Administration, it would take some time to explore the feasibility of a unified quality assurance body because each of the existing bodies had their specialized functions. Meanwhile, it had taken incremental measures to enhance the quality assurance mechanism of the self-financing post-secondary education sector, such as setting up the Liaison Committee on Quality Assurance⁸ to promote sharing of good practices among all the quality assurance bodies and to enhance consistency and transparency. Preparation was underway to establish a working group comprising representatives from UGC, HKCAAVQ and UGC-funded institutions for the implementation of periodic external audits on sub-degree operations under the aegis of UGC-funded institutions.

18. Despite the Administration's explanation, members remained deeply concerned about the existing quality assurance mechanism. Question was also raised about any possible conflict of interests arising from HKCAAVQ's role as an accrediting body on the one hand, and its heavy reliance on the income derived from providing accreditation services for self-financing programmes on the other hand. Members reiterated their call for the early establishment of a single quality assurance body as recommended by UGC.

⁸ The Government has transformed the Tripartite Liaison Committee (comprising the EDB, HKCAAVQ and JQRC) and formed the Liaison Committee on Quality Assurance by engaging QAC.

Financial aspects

19. 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 follows⁹:

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

20. 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.

21. 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) to the Committee for discussion of possible measures to promote transparency and good practices. It would report the outcome of the Committee's deliberations to the Panel in due

⁹ See LC Paper No. CB (2)1694/11-12(08) issued by EDB in April 2012.

course.

Work of the Committee on Self-financing Post-secondary Education

22. 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.

23. Regarding the progress of work of the Committee, the Administration informed the Panel at the meeting on 14 January 2013 that the Committee had drawn up a list of issues to be studied, such as considering ways to increase the transparency of self-financing post-secondary institutions and to strengthen communication among them. The Administration would update the Panel of the progress and outcomes of the Committee's discussion in due course.

Concerns about the Post Secondary Colleges Ordinance (Cap. 320)

24. The Panel received a briefing on the proposed amendments to the Post Secondary Colleges Ordinance (Cap. 320) ("PSCO") and its subsidiary regulation at the meeting on 14 January 2013. As it took time to conduct a complete overhaul of the legislation, the Administration had adopted an incremental approach to first focus on legislative amendments to update or remove obsolete provisions which would hinder the development of the post-secondary education sector. According to the Administration, the proposed amendments were technical in nature, while other amendments requiring detailed deliberations and consensus among stakeholders would be considered at a later stage.

25. While some members supported in principle the proposed amendments, some members were concerned that they could not address concerns about effective regulation of the self-financing post-secondary sector. For instance, there was a view that some of the proposed amendments, such as the removal

of admission requirement on academic qualifications for entry into a college, the streamlining of procedures for approving award of degrees, the removal of requirement of the Chief Executive-in-Council's approval for using the term "學院"etc., would lead to the relaxation of regulatory requirements currently applicable to self-financing post-secondary institutions, thereby facilitating or inducing more institutions to register under PSCO to offer an increasing number of study programmes. They were concerned that there would be over-enrolment and deterioration in the quality of teaching and learning, which would be to the detriment of students and the development of the sector. Some members stated that before introducing the amendment bill in question, the Administration should first advise the Panel how it would take forward UGC's recommendation to set up a single quality assurance body for the whole post-secondary sector and to provide a satisfactory response to members' concerns about effective regulation and governance of the sector.

Recent Council motions and questions

26. After the commencement of the Fifth LegCo, Dr Hon Kenneth CHAN and Hon IP Kin-yuen raised questions to express concerns about the over-enrolment of students by self-financing post-secondary institutions to their degree and sub-degree programmes 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.

27. 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, amongst others, 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.

28. At the Council meeting of 11 December 2013, Hon LEUNG Yiu-chung raised a question on the provision of government grants and loans to students studying locally-accredited self-financing post-secondary programmes and the setting of tuition fees by self-financing post-secondary institutions. Hon Abraham SHEK raised a question on the quality of sub-degree programmes at the Council meeting of 19 February 2014.

Latest position

29. The Panel will re-visit issues related to the governance and regulation of the self-financing post-secondary education sector at the meeting to be held on 18 March 2014.

Relevant papers

30. A list of the relevant papers on the Legislative Council website is in **Appendix II**.

Council Business Division 4
Legislative Council Secretariat
12 March 2014

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

Chairman

Mr. Tim LUI Tim-leung, B.B.S., J.P.

Members

Professor CHAN Tsang-sing, B.B.S.

Professor Jeffrey KONG Yau-pak

Professor LEE Chack-fan, G.B.S., J.P.

Dr. Carrie WILLIS, S.B.S., J.P.

Professor Danny WONG Shek-nam

Ex-officio Member

Ms. Shirley WONG She-lai, M.H.

Dr. Maggie KOONG May-kay, B.B.S.

Professor TAM Kar-yan

Mr. Herbert HUI Ho-ming, J.P.

Mr. Albert CHOW Hing-pong

Mr. CHUNG Shui-ming, G.B.S., J.P.

Mr. Patrick CHAN Kai-lung

Deputy Secretary for Education (1)

Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications or his representative

Chairman of the University Grants Committee or his representative

Source: <http://www.ipass.gov.hk/edb/index.php/en/home/cspe>

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
Panel on Education	12.12.2011 (Item VI)	Agenda Minutes CB(2)486/11-12(06)
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)

Committee	Date of meeting	Paper
Legislative Council	19.12.2012	Motion Progress report provided by the Administration
Panel on Education	11.1.2013	Agenda Minutes CB(4)279/12-13(01)
Panel on Education	14.1.2013 (Items IV and V)	Agenda Minutes CB(4)279/12-13(01) CB(4)293/12-13(01)
Legislative Council	11.12.2013	Official Record of Proceedings Pages 115-121 (Question 12)
Legislative Council	19.2.2014	Agenda (Question 18) Administration's reply

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