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Panel on Education

Special meeting on 7 February 2015

**Updated 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 eight approved post-secondary colleges registered under the Post Secondary Colleges Ordinance ("PSCO") (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 ("CSPE ") was established on 1 April 2012 in response to the recommendation of the University Grants Committee ("UGC")'s Report on Higher Education Review 2010. CSPE 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 CSPE 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 provision of land at nominal premium, interest-free Start-up Loans, quality assurance subsidies and a \$3.5 billion Self-financing Post-secondary Education Fund to provide scholarships

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

² According to the Legislative Council Brief (File reference: EDB(FE)CR 1/2/3231/11) issued on 18 August 2014, as at August 2014, there are eight approved post-secondary colleges, namely the Hong Kong Shue Yan University, Caritas Institute of Higher Education, Centennial College, Chu Hai College of Higher Education, Hang Seng Management College, HKCT Institute of Higher Education, Hong Kong Nang Yan College of Higher Education and Tung Wah 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.

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 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 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 conducted by UGC in 2009

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 assurance. 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; and
- (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 Report⁶.

Deliberation by the Panel on Education

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"). After the commencement of the Fifth Legislative Council, the Panel has held a number of meetings to exchange views with the Administration and deputations on relevant issues. At the meeting held on 14 January 2013, members passed a motion urging the Administration to, amongst

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.

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. The incidents of over-enrolment to some self-financing post-secondary programmes in September/October 2012 were of grave concern to the Panel. At the meetings held in January 2013 to follow up the matter, quite a number of members were worried that under a commercialized and market-driven approach, self-financing post-secondary education had become merely the massive supply of study places and the indiscriminate admission of as many students as possible.

13. As advised by the Administration, in the wake of incidents of over-enrolment in the double cohort year of 2012, the sector had put in place measures to tackle the problems and safeguard against their recurrence. The Panel also noted that member institutions of the Federation for Self-financing Tertiary Education had 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.

14. Many members urged the Administration to address the inadequate provision of subsidized undergraduate places. They pointed out that in the double cohort year of 2012, a total of 70 300 candidates sat for the Hong Kong Diploma of Secondary Education ("HKDSE") Examination and 31 300 candidates sat for the Hong Kong Advanced Level Examination. Among them, about 26 400 and 18 200 respectively met the minimum entrance requirements for local undergraduate programmes⁷. However, there were only 30 300 publicly-funded undergraduate places. As a result of the huge demand for higher education places, 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. 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-

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").

secondary programmes. The Administration assured members that the quality of self-financing programmes was 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 (paragraph 9 above), the Panel had pursued with the Administration the progress of and timetable for establishing a single quality assurance body for the entire post-secondary education sector as recommended in the Report of UGC's higher education review. Meanwhile, some deputations stressed that in considering a single quality assurance mechanism, it was necessary to take into account the uniqueness of each institution in terms of its vision and mission, pedagogy and the programmes offered.

17. As advised by the Administration at the meetings on 18 March and 10 November 2014, it was open-minded on the idea of a single quality assurance body. However, at this stage, the Administration was not yet in a position to provide a concrete timetable for its establishment. Nevertheless, the Administration 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.

18. Members noted that at present, under the Sixth Matching Grant Scheme launched in August 2012, 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. As informed by EDB in March 2014, a working group comprising representatives from UGC, HKCAAVQ, UGC-funded institutions and EDB had been established to oversee the implementation of such external audits.

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.

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

19. The Panel received a briefing on the proposed amendments to 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.

20. 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 attracting more institutions to register under PSCO to offer programmes abundantly. 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 address concerns about effective regulation and governance of the sector.

21. At the meeting held on 18 March 2014, some members and deputations expressed the view that the Administration should give priority to removing anomalous and obsolete requirements under PSCO so as to facilitate the healthy development of the self-financing post-secondary sector. The Administration advised that it would consider the matter in the light of the views of members and deputations.

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 CSPE 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 CSPE was a member of UGC while the Chairman of UGC also sat on CSPE. 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 CSPE.

23. The Administration informed the Panel at the meeting on 10 November 2014 that CSPE had commissioned a consultancy study on "Local and International Good Practices in the Governance and Quality Assurance of the Self-financing Post-secondary Education Sector". The Report on the Consultancy Study ("the Consultancy Report") was published in August 2014⁹. CSPE had planned to further advance the work on promoting good governance based on the findings of the Consultancy Report. A sharing session would be organized with the self-financing post-secondary institutions. In consultation with relevant stakeholders, CSPE would work on the recommendations of the Consultancy Report and would compile a code of good practices on governance and quality assurance for voluntary adoption by the institutions.

Financial aspects

24. In response to members' concerns about the level of tuition fees for self-financing post-secondary programmes, the Administration informed the Panel in April 2012 that most institutions planned on the basis of a balanced budget when setting the fee levels for self-financing programmes. To cater for possible year-on-year volatility, an adequate level of reserve is critical to serve as a buffer to sustain the healthy operation of the programmes. Since UGC-funded institutions and self-financing institutions were non-profit-making, any surplus in a year should be kept in their reserve and ploughed back in support of teaching and learning activities for the benefit of students¹⁰.

25. Members noted that UGC had promulgated to the institutions under its aegis in September 2013 certain recommendations on cost allocation practices and financial transparency made by the Financial Affairs Working Group of UGC, so as to better assure the public that the use and application of public funds were appropriate. The Administration also informed members that based on the figures provided by various institutions on their average annual tuition fees for full-time locally-accredited self-financing sub-degree and undergraduate programmes, the respective increase in tuition fees was 4.1% for sub-degree programmes and 3.3% for undergraduate programmes in the 2013-2014 academic year as compared with the tuition fees in the previous year¹¹.

26. In his 2015 Policy Address, the Chief Executive indicated that some community colleges of UGC-funded institutions had accumulated large

⁹ The Consultancy Report is available on the Concourse for Self-financing Post-secondary Education at <http://www.cspe.edu.hk>.

¹⁰ See LC Paper No. CB(2)1694/11-12(08) issued by EDB in April 2012.

¹¹ See LC Paper No. CB(4)469/13-14(01) issued by EDB in March 2014.

surpluses. The Administration would request the institutions to critically review their financial position and consider ways to use their surpluses to benefit their students, such as lowering tuition fees and offering scholarships or bursaries for underprivileged students.

Study Subsidy Scheme for Designated Professions/Sectors

27. The 2014 Policy Address announced a number of measures to broaden the opportunities for subsidized higher education. One of the new initiatives was the Study Subsidy Scheme for Designated Professions/Sectors ("SSSDP"), which aimed to subsidize up to 1 000 students per cohort in pursuing selected self-financing undergraduate programmes, to nurture the talents for industries in keen demand for labour, as well as to encourage the self-financing sector to take into account Hong Kong's economic and social development needs in their programme development. Upon implementation, SSSDP would benefit three cohorts of students to be admitted in the 2015-2016 to 2017-2018 academic years.

28. In response to members' queries about the implementation of SSSDP, the Administration advised that an inter-departmental working group comprising EDB and other relevant bureaux/departments had been convened to identify the disciplines that were in need of manpower and the relevant self-financing post-secondary programmes. Initially, the key disciplines identified were health care, construction industry, testing and certification, creative industry, and tourism and hospitality. The Administration would explore the possibility of requiring the programmes to allocate the places through the Joint University Programmes Admissions System to ensure that eligible students would be selected through a merit-based system.

29. According to the information provided by the Administration in July 2014 subsequent to obtaining funding approval by the Finance Committee, there would be five participating post-secondary institutions providing 13 programmes with a total of 940 subsidized places in the 2015-2016 academic year under SSSDP¹².

Employability of graduates of self-financing post-secondary programmes

30. Some members sought information on the measures, if any, to enhance the employability of graduates of self-financing post-secondary programmes. They were also concerned about the assistance, if any, rendered to institutions to build up rapport with relevant sectors/industries so as to broaden the opportunities for students to take up practical training or internships.

¹² See [LC Paper No. CB\(4\)969/13-14\(01\)](#).

31. According to the Administration, the institutions were encouraged to arrange audits/evaluation of their programmes to enhance the recognition of the qualifications attained by their graduate, as well as to work closely with the relevant sectors so that their programmes could be better oriented to meet the needs of the market. In addition to the recently launched SSSDP, the Vocational Training Council had also introduced the Pilot Training and Support Scheme to integrate structured apprenticeship training programmes with clear career progression pathways for specific industries facing a shortage of skilled labour.

32. On whether tracking studies had been conducted on the employability of the graduates of self-financing post-secondary programmes, the Administration advised that surveys on graduates were conducted by quite a number of self-financing post-secondary institutions. Many institutions also published information on the employment or articulation to higher studies of their graduates on their official websites.

Recent discussion at Council meetings

33. 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.

34. Following reports that the City University of Hong Kong ("CityU") planned to sell the Community College of City University, CityU's self-financing arm offering associate degree programmes which had also received support under the Start-up Loan Scheme, Hon IP Kin-yuen raised a question at the Council meeting of 9 July 2014 to seek information on the establishment and development of self-financing operations by UGC-funded institutions.

35. At the Council meeting of 12 November 2014, Dr Hon Kenneth CHAN raised a question about the collection of application fees and enrolment deposits by self-financing post-secondary institutions. He also enquired on the Government's monitoring of the operation and development of these institutions. In another question raised at the Council meeting of 10 December 2014, Hon WONG Yuk-man sought information on the monitoring of the self-financing post-secondary programmes operated under the auspices of UGC-funded institutions.

Latest position

36. The Panel will hold a special meeting on 7 February 2015 to receive views from deputations on issues related to the regulation, governance and quality assurance of the self-financing post-secondary sector with reference to the Consultancy Report.

Relevant papers

37. A list of the relevant papers on the Legislative Council Website is in **Appendix II**.

Council Business Division 4
Legislative Council Secretariat
29 January 2015

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, BBS, JP

Members

Mr Albert CHOW Hing-pong

Professor Reggie KWAN Ching-ping

Dr Maggie KOONG May-kay, BBS

Professor LEE Chack-fan, GBS, JP

Professor TAM Kar-yan

Dr Carrie WILLIS, SBS, JP

Mr Wilfred WONG Kam-pui

Ms Shirley WONG She-lai, MH

Professor Danny WONG Shek-nam, MH

Professor Peter YUEN Pok-man

Ms Helen ZEE

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

Deputy Secretary for Education (1)

Source: <http://www.cspe.edu.hk/content/AboutUs-Membership>

Appendix II

List of relevant papers

Committee	Date of meeting	Paper
Panel on Education	10.1.2011 (Item VI)	<u>Agenda</u> <u>Minutes</u> <u>CB(2)718/10-11(04)</u> <u>CB(2)602/10-11(01)</u>
Panel on Education	14.3.2011 (Item VI)	<u>Agenda</u> <u>Minutes</u> <u>CB(2)1213/10-11(03)</u> <u>CB(2)718/10-11(04)</u> <u>CB(2)602/10-11(01)</u>
Panel on Education	14.11.2011 (Items IV and V)	<u>Agenda</u> <u>Minutes</u> <u>EDB(HE)CR 5/2041/08</u> <u>EDB(HE)CR 4/21/2041/89</u>
Panel on Education	12.12.2011 (Item VI)	<u>Agenda</u> <u>Minutes</u> <u>CB(2)486/11-12(06)</u>
Panel on Education	20.4.2012 (Item VII)	<u>Agenda</u> <u>Minutes</u> <u>CB(2)1694/11-12(08)</u> <u>IN21/11-12</u> <u>IN22/11-12</u>
Legislative Council	7.11.2012	<u>Official Record of Proceedings</u> <u>Pages 88-104 (Question 12)</u>
Legislative Council	21.11.2012	<u>Official Record of Proceedings</u> <u>Pages 88 – 97 (Question 13)</u>

Committee	Date of meeting	Paper
Legislative Council	19.12.2012	<u>Motion</u> <u>Progress report provided by the Administration</u>
Panel on Education	11.1.2013	<u>Agenda</u> <u>Minutes</u> <u>CB(4)279/12-13(01)</u>
Panel on Education	14.1.2013 (Items IV and V)	<u>Agenda</u> <u>Minutes</u> <u>CB(4)279/12-13(01)</u> <u>CB(4)293/12-13(01)</u>
Legislative Council	11.12.2013	<u>Official Record of Proceedings</u> <u>Pages 115-121 (Question 12)</u>
Legislative Council	19.2.2014	<u>Official Record of Proceedings</u> <u>Pages 136 – 140 (Question 18)</u>
Panel on Education	18.3.2014 (Item IV)	<u>Agenda</u> <u>Minutes</u>
Panel on Education	14.4.2014 (Item V)	<u>Agenda</u> <u>Minutes</u>
Legislative Council	9.7.2014	<u>Official Record of Proceedings</u> <u>Pages 142 – 145 (Question 11)</u>
Finance Committee	11-12.7.2014 (Item 11)	<u>Agenda</u> <u>FCR(2014-15)16</u>
Panel on Education	10.11.2014 (Item V)	<u>Agenda</u> <u>Minutes</u> <u>CB(4)154/14-15(01)</u> <i>(English version only)</i>

Committee	Date of meeting	Paper
Legislative Council	12.11.2014	<u>Official Record of Proceedings</u> <u>Pages 115 – 129 (Question 9)</u>
Legislative Council	10.12.2014	<u>Official Record of Proceedings</u> <u>Pages 71 – 74 (Question 12)</u>

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