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1 June 2015

Clerk to Panel
Legislative Council Panel on Education
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Miss Polly Yeung)

Dear Miss Yeung,

Panel on Education

**Policy on funding support provided to post-secondary institutions
by the University Grants Committee**

Thank you for your letter of 14 May 2015.

The response to the issues raised by Dr Hon Helena WONG is set out at Annex for Members' reference.

Yours sincerely,



(Richard T Armour)
Secretary-General

c.c. Secretary for Education, Education Bureau
(Attn: Mr Wallace Lau)

**Legislative Council
Panel on Education**

Response to issues raised by Dr Hon Helena WONG on 14 May 2015

The funding methodology of the University Grants Committee (UGC) was developed in 1994 and has been used since then for the assessment of the recurrent grants for the UGC-funded institutions. It is regularly reviewed and improved to ensure that it is appropriate and relevant to current circumstances.

2. Recurrent grants for each UGC-funded institution are mainly in the form of a single lump-sum block grant. The purpose of the UGC recurrent grants is to fund institutions to support the pursuit of their different roles and missions in teaching and research.

Block grant

3. The New Academic Structure (NAS) has been implemented in the UGC-funded sector since the 2012/13 academic year. Thus, there has been new recurrent funding for the additional year under the NAS (“new pot of money”) in addition to the funding (“existing pot of money”) for the three years of undergraduate study and other levels of study. In this regard, for the purpose of determining the block grant allocation to institutions, a “two pots of money” approach/funding methodology has been applied since the 2012/13 to 2014/15 triennium, as detailed below. Institutions still receive a block grant in the end and the “two pots of money” approach will not affect the existing autonomy within which institutions deploy their block grant.

“Existing pot of money” for the three years of undergraduate study and other levels of study

4. Under the “existing pot of money”, the amount of block grant to the sector as a whole comprises three elements –

- (a) Teaching – about 75%

- (b) Research – about 23%
- (c) Professional Activity – about 2%

Teaching element

5. The bulk of the block grant is allocated for teaching, which is an indispensable duty and mission of all institutions. The Teaching element is determined on the basis of the student numbers, their study levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate), modes of study (i.e. part-time and full-time) and disciplines of study.

6. The UGC conducts academic planning and recurrent grants assessment with its funded institutions on a triennial basis. To ensure the precious publicly-funded student places are put to their best use for the benefit of the community, we need to have a mechanism to re-distribute places from time to time to encourage institutions to review periodically their institutional strategy and academic priorities, as well as to advance institutions' international competitiveness in line with the role of individual institutions and the higher education sector as a whole. To this end, we have adopted a performance-based competitive allocation mechanism since the 2009/10 to 2011/12 triennium to distribute First-Year-First-Degree (FYFD) places. In the process, all FYFD places that are subject to the Government's specific manpower requirements (e.g. medical doctors, nurses, teacher education, etc.) are excluded from the exercise.

7. We have consulted the institutions on the academic development planning exercise for the 2016/17 to 2018/19 triennium. They generally agree to continue to adopt the competitive allocation mechanism of FYFD places. They also agree with the four proposed broad assessment criteria, namely "Strategy, Mission and Vision", "Teaching & Learning", "Academic Programme Design", and "Addressing the Needs of Society in General".

8. After thorough consideration of the institutions' feedback, the UGC has initiated the academic development planning process for the 2016/17 to 2018/19 triennium with the broad parameters set by the Government. Same as the 2012/13 to 2014/15 triennium, Lingnan University (LU) and six other UGC-funded institutions are each required to notionally set aside 4% and 6% respectively of their FYFD places that are not subject to manpower

requirements to a central pool, for subsequent possible re-distribution among institutions to reflect comparative merits among themselves as assessed against agreed criteria. The remaining bulk of the FYFD places, which in effect accounted for 95.1% of all FYFD places, are unaffected.

Research element

9. The Research element is disbursed to the institutions as infrastructure funding to enable institutions to provide both the staffing and facilities (e.g. accommodation and equipment) necessary to carry out research, and to fund a certain level of research. To promote research excellence, since the 2012/13 academic year, the UGC has been gradually allocating the Research element to its funded institutions on a more competitive basis according to their success in obtaining peer-reviewed Earmarked Research Grants provided through the Research Grants Council (RGC). The remaining portion is allocated with regard to the institutions' performance in the Research Assessment Exercise (RAE). In the case of the 2016-19 triennium, it has been agreed that the results of the RAE 2014 will be used to inform allocation of part of the Research element. The UGC will continue to adhere to the principle that funding will be allocated in a fair and publicly accountable manner, taking into account sustainability and stability of institutional funding. In addition, the UGC will review the allocation mechanism for the Research element later this year.

Professional Activity element

10. This element of funding is associated with professional (non-research) activities which should be undertaken by all academic staff. It is calculated based on the number of academic staff of each institution.

“New pot of money” for the additional year under the New Academic Structure

11. The new funding for the additional year under the NAS, treated as a separate pot of money is allocated wholly as “teaching funding” to institutions.

Allocation of block grant within institutions

12. The above-mentioned methodology only serves as a basis for determining the block grant allocation to the UGC-funded institutions. The UGC plans to submit its funding recommendations for the new triennium to the Government in the third quarter of 2015. Once allocations are approved, institutions have autonomy in and responsibility for determining the best use of the resources vested in them.