

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY**

**Subhead 274 Student finance – grants**

### **HEAD 177 – SUBVENTIONS : NON-DEPARTMENTAL PUBLIC BODIES**

**Subhead 520 Vocational Training Council**

### **LOAN FUND**

#### **HEAD 254 – LOANS TO STUDENTS**

**Subhead 101 Students of the universities, the Hong Kong Institute of Vocational Education, Prince Philip Dental Hospital, Hong Kong Institute of Education and Hong Kong Academy for Performing Arts**

Members are invited to approve –

- (a) an expansion of the ambit of the Local Student Finance Scheme to provide grants and loans to local full-time students of the Hong Kong Institute of Vocational Education of the Vocational Training Council pursuing the two-year Diploma and Common First Year programmes with effect from the 2000/01 academic year;
- (b) a supplementary provision of \$64.6 million to Head 173 Student Financial Assistance Agency Subhead 274 in 2000-01 to meet the increase in expenditure on grants; and
- (c) a supplementary provision of \$105 million to Head 254 Loans to Students Subhead 101 of the Loan Fund in 2000-01 to meet the increase in loans.

**/PROBLEM .....**

## **PROBLEM**

At present, the Local Student Finance Scheme (LSFS) administered by the Student Financial Assistance Agency (SFAA) is not available to students of the Vocational Training Council (VTC) other than those eligible full-time students pursuing Higher Diploma programmes of the Hong Kong Institute of Vocational Education (IVE). While the VTC provides its own financial assistance to needy full-time students pursuing the two-year Diploma and Common First Year programmes in the IVE, the arrangement is neither satisfactory nor cost-effective in meeting the needs of these students.

## **PROPOSAL**

2. With the support of the Secretary for Education and Manpower, the Controller, SFAA proposes to expand the ambit of the LSFS to provide grants and loans to local full-time students pursuing the two-year Diploma and Common First Year programmes in the IVE, with effect from the 2000/01 academic year.

## **JUSTIFICATION**

3. Prior to the 1999/2000 academic year, sub-degree programmes in the VTC, in the form of Higher Diploma courses, are provided through its two technical colleges. Students in these technical colleges are eligible for financial assistance under the LSFS, whereas students of VTC's technical institutes pursuing Diploma and other non-sub-degree programmes are eligible for the VTC's own Financial Assistance Scheme (FAS).

4. To improve the quality of vocational education and enhance overall cost-effectiveness, the two former technical colleges and seven technical institutes of the VTC have been integrated to form a single academic and training institution, the IVE, with effect from the 1999/2000 academic year. This also brings about a change in the course structure. Most Higher Diploma and two-year Diploma programmes are classified into subject groups. Programmes within a subject group share a common curriculum in the first year. The second year of Higher Diploma and two-year Diploma programmes in the same subject group also have a substantial part in common.

5. Meanwhile, IVE students are financially assisted under two different schemes: students studying the Higher Diploma courses are covered by the LSFS, while students of the two-year Diploma and Common First Year programmes are covered by the FAS.

6. This arrangement for providing financial assistance is unsatisfactory for the following reasons -

- (a) in terms of grants and tuition fee assistance, the levels of assistance for the two-year Diploma and Common First Year programmes under the FAS, which is cash-limited, is generally lower than that available to Higher Diploma students under the LSFS<sup>1</sup>, despite the similar needs of the two groups of students;
- (b) students of the two-year Diploma and Common First Year programmes do not have the benefit of the low interest loans to meet their living costs while those studying Higher Diploma programmes can apply for such loans under the LSFS;
- (c) assistance for students of the Higher Diploma, two-year Diploma and Common First Year programmes is not centrally-administered and the standards of assessment are different; and
- (d) the co-existence of two financial assistance schemes, operated by two separate agencies, for students pursuing the same or very similar curriculum in the same institution is administratively untidy, inefficient and not cost-effective.

7. To rationalise the provision of financial assistance to IVE students, we propose to extend the LSFS to all IVE full-time students of two-year Diploma and Common First Year programmes.

8. The proposed extension of the LSFS will cover about 10 000 eligible students pursuing the two-year Diploma and Common First Year programmes of the IVE in the 2000/01 academic year. Based on the profiles of these students, we estimate that about 5 100 students would benefit from the proposed extension.

**/FINANCIAL .....**

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<sup>1</sup> Under the FAS, the average level of assistance (in terms of grant and fee remission) was \$12,950 per student, while Higher Diploma students obtained on average \$17,588 in grant and another \$22,188 in loan under the LSFS in the 1999/2000 academic year.

## FINANCIAL IMPLICATIONS

9. Based on the profiles of students in the IVE, we estimate that the proposed extension of the LSFS to cover the two-year Diploma and Common First Year students of the IVE will require an additional provision of \$64.6 million in grants and \$105 million in loans in 2000-01 and in a full year under the LSFS. The interest forgone for the proposed extension of the LSFS is estimated to be \$17.6 million per annum in a full year<sup>2</sup>.

10. In addition, SFAA will incur a recurrent cost of \$5.5 million in 2000-01, rising to \$6.6 million in a full year, for administering the expanded LSFS. The cost mainly includes costs for 20 additional staff at various ranks<sup>3</sup> to handle the additional applications, payments, repayments, and default cases, as well as temporary clerical assistants who are only required during the peak periods. It also includes additional departmental expenditures on data processing, printing and postage. This additional requirement will be met by savings in administrative expenses at the VTC.

11. If Members approve the proposal, we will grant a supplementary provision of up to \$5.5 million in total to the relevant Subheads under Head 173 Student Financial Assistance Agency in 2000-01 under delegated authority to meet the requirements in paragraph 10 above. We shall also reduce the recurrent subvention under Head 177 Subventions: Non-Departmental Public Bodies Subhead 520 Vocational Training Council by \$48 million in 2000-01 and \$74.5 million in a full year to reflect the reduced requirement for grants and administrative expenses under the FAS. The reduction in subvention is less than the total additional requirement for grants, loans and administrative expenses because the level of assistance under the FAS is generally lower, and does not include assistance in the form of loans.

12. The expansion of the ambit of the LSFS will have no impact on fees as no administrative fee is payable under the LSFS.

## **/BACKGROUND .....**

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<sup>2</sup> This is based on the assumptions that the \$105 million would be fully drawn down each year and promptly repaid by students in accordance with the repayment schedule and the interest forgone is calculated on the basis of the difference between the low interest charged for such student loans, at 2.5%, and the Government's "no-gain-no-loss" interest rate, currently at 7%.

<sup>3</sup> These include one Senior Executive Officer, two Executive Officers I, three Senior Clerical Officers, three Clerical Officers and 11 Assistant Clerical Officers.

**BACKGROUND INFORMATION**

13. To ensure that no qualified student will be denied access to tertiary education because of lack of means, the Government administers the LSFS to provide financial assistance in the forms of grants (to cover tuition fees, academic expenses and compulsory student union fees) and/or low interest loans (to cover living costs) to eligible students attending degree or sub-degree courses at publicly-funded institutions, namely the University Grants Committee-funded institutions, the IVE of the VTC, the Prince Philip Dental Hospital and the Hong Kong Academy for Performing Arts. In the 1999/2000 academic year, the LSFS disbursed a total of \$842.6 million in grants and \$664.2 million in loans to some 30 400 eligible students. Successful applicants received on average \$28,000 in grants and/or \$21,960 in loans.

14. Students of the IVE two-year Diploma and Common First Year programmes are covered by VTC's own FAS, which provides grants for living expenses and remission of tuition fees. In the 1999/2000 academic year, about \$9.1 million was awarded to successful grant applicants following these courses, representing an average grant of about \$2,550 for each successful applicant. A total fee remission of some \$61.8 million was given to needy students on these courses. The average fee remission per successful applicant is about \$10,400.

15. We have informed the Joint Committee on Student Finance which supports the proposal.

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Education and Manpower Bureau  
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