

For Information

Legislative Council Panel on Education

FURTHER EXTENSION OF THE NON-MEANS-TESTED LOAN SCHEME

Introduction

At the Panel meeting of 20 March 2000, the Administration briefed Members on seven new initiatives announced in the 2000-01 Budget that aim to encourage people to upgrade their knowledge and skills. One of the initiatives is to widen the ambit of the Non-means-tested Loan Scheme (NLS) to cover continuing and professional education courses provided by non-local universities, registered schools and recognised training institutions. The Administration will submit a proposal at **Annex A** to the Finance Committee of the Legislative Council (FC) for approval on 23 June 2000.

Proposal

2. The Administration proposes to expand the ambit of the NLS to cover the following courses with effect from the 2000/01 academic year –

- (i) registered courses and exempted courses under the Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493);
- (ii) post-secondary courses, adult education courses, continuing and professional education programmes offered by a school registered under section 13(a) or exempted from registration under section 9(1) of the Education Ordinance (Chapter 279);
- (iii) courses offered by a Post Secondary College registered under the Post Secondary Colleges Ordinance (Chapter 320);
- (iv) training or development courses provided or funded by statutory bodies; and
- (v) continuing and professional education courses offered by any other institutions approved by Controller, Student Financial Assistance Agency (C,SFAA) in accordance with the criteria set out at **Annex B**.

3. We estimate that the proposal, if approved, will increase the number of eligible applicants by 500 000 from 200 000 to 700 000. Total loan requirement for this expansion would be about \$173 million. The

NLS operates on a full cost-recovery basis. The proposed expansion of the loan scheme would not therefore give rise to additional financial implications for the Government, other than extra administrative cost to be incurred by SFAA to cope with increases in caseloads.

Education and Manpower Bureau
June 2000

Legislative Council Panel on Education

FURTHER EXTENSION OF THE NON-MEANS-TESTED LOAN SCHEME

PROBLEM

The existing scope of the Non-means-tested Loan Scheme (NLS) needs to be further expanded to promote life-long learning and constant self-advancement.

PROPOSAL

2. With the support of the Secretary for Education and Manpower, the Controller, Student Financial Assistance Agency (C,SFAA) proposes –

- (a) to expand the ambit of the NLS to cover persons pursuing the following courses with effect from the 2000/01 academic year –
 - (i) registered courses and exempted courses under the Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493);
 - (ii) post-secondary courses, adult education courses, continuing and professional education courses offered by a school registered under section 13(a) or exempted from registration under section 9(1) of the Education Ordinance (Chapter 279);
 - (iii) courses offered by a Post Secondary College registered under the Post Secondary Colleges Ordinance (Chapter 320);
 - (iv) training or development courses provided or funded by statutory bodies; and
 - (v) continuing and professional education courses offered by any other institutions approved by C,SFAA in accordance with the criteria set out at **Annex B**;

- (b) supplementary provision of \$173 million under Head 254 Loans to Students Subhead 102 Non-means-tested loan scheme in 2000-01 to meet the increase in loans; and
- (c) renaming Head 254 Loans to Students Subhead 102 as “Non-means-tested loan scheme”.

JUSTIFICATION

3. To rise to the challenge of an increasingly knowledge-based and technology-intensive economy, many people are pursuing continuing and professional education to upgrade themselves and increase their competitiveness. To encourage self-advancement through continuing education, we provide a maximum salaries tax deduction for self-education expenses at \$30,000 a year. We also introduced the NLS in the 1998/99 academic year to provide a new channel of finance for all full-time and part-time students studying publicly-funded programmes at the tertiary level and to students of the Open University of Hong Kong and the Hong Kong Shue Yan College. At the Finance Committee meeting on 12 November 1999, Members also approved an expansion of the ambit of the NLS to cover students pursuing self-financing, local award-bearing programmes offered by publicly-funded institutions¹ with effect from the 2000/01 academic year.

4. To further promote life-long learning, we propose to further expand the ambit of the NLS. Whilst we would like to expand the ambit of the NLS as wide as possible to benefit more potential students, we are also mindful of the need to define the eligibility criteria clearly to ensure certainty and accountability. To this end, we propose to extend the NLS to courses or institutions which have statutory or legal backing, including -

- (a) courses that are registered or exempted under the Non-local Higher and Professional Education (Regulation) Ordinance (Chapter 493). At present, about 60 000 students are enrolled on about 590 such courses offered by 170 non-local institutions or professional bodies from seven places;

¹ These are the eight University Grants Committee-funded institutions, the Hong Kong Institute of Vocational Education, the Prince Philip Dental Hospital and the Hong Kong Academy for Performing Arts.

- (b) part-time adult education and post-secondary education courses at registered schools, approved post secondary colleges and schools exempted from registration. There are about 140 000 such students;
- (c) courses offered by a Post Secondary College registered under the Post Secondary Colleges Ordinance (Chapter 320). At present, Hong Kong Shue Yan College is the only registered Post Secondary College and is already covered by the NLS. We propose that the NLS should cover all colleges to be registered under the Post Secondary Colleges Ordinance in the future; and
- (d) training or development courses provided or funded by statutory bodies (e.g. the Employees' Retraining Board, the Construction Industry Training Authority, the Clothing Industry Training Authority and the Hong Kong Productivity Council). We estimate that about 100 000 people are taking such courses.

5. However, there are courses run by institutions falling outside the above ambit which are equally worth supporting. For instance, there are various training and development courses offered by trade, business and professional organisations, foreign educational bodies, voluntary and charitable organisations and commercial training institutions. We estimate that there are 200 000 students in this category. Moreover, as the continuing education sector develops and the demand for different types of courses emerges, we expect more diverse courses to be offered by a greater variety of course providers. To allow flexibility in accepting worthwhile courses, we propose that the C,SFAA should be given the authority to approve institutions/courses for the purpose of the NLS with reference to a set of criteria.

6. Operationally, for the purpose of extending the NLS to courses run by those institutions mentioned in paragraph 5 above, C,SFAA will prepare and maintain a register of approved course providers and courses with reference to the criteria set out at Annex B. The register provides an easy reference for the Student Financial Assistance Agency (SFAA) and potential students in the application process. If, however, SFAA receives an application for NLS loan in respect of a course which does not appear in the register, C,SFAA will determine the eligibility of the course, whether or not it is provided by an approved institution already on SFAA's register, on a case by case basis, with reference to the criteria at Annex B. In the process, C,SFAA will take into account the information contained in the

application form and other information related to the course or the course provider. It will seek advice from outside agencies if appropriate. The course, once approved, will be included in the register. C,SFAA will keep the register under constant review.

FINANCIAL IMPLICATIONS

7. The proposal to further extend the NLS will benefit about 500 000 additional persons. The exact amount of additional loans required would depend on take-up rates and the actual amounts borrowed. On the basis of the latest round of the NLS exercise, we estimate that the total loan requirement for this further expansion of the NLS in 2000-01 would be about \$173 million. The NLS operates on a full cost-recovery basis. Borrowers have to pay interest on the outstanding balance of the loan at the Government's no-gain-no-loss rate², and a 1.5% risk-adjusted factor which seeks to cover the Government's risk in disbursing unsecured loans. The prevailing NLS interest rate is 8.25% per annum. The proposed expansion of the loan scheme would not therefore give rise to additional financial implications for the Government.

8. SFAA will incur a recurrent cost of \$2.8 million in 2000-01, rising to \$3.7 million in a full year, for administering the expanded NLS. The cost mainly includes costs for seven additional staff at various ranks³ to handle the additional applications and payments as well as temporary clerical staff who are only required for peak periods. It also includes additional departmental expenditures on data processing, printing and postage.

9. If Members approve the proposal, we will grant a supplementary provision of up to \$2.8 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 8 above.

Impact on fees and charges

10. At present, we charge an administrative fee which is payable upon application and annually thereafter until full repayment of the NLS loan.

² The "no-gain-no-loss" interest rate is set at 2% below the average best lending rate of the note-issuing banks. This formula ensures that the interest rate will move in tandem with the market lending rate and that there will be no resultant gain or loss to Government. We will review the interest rate at the end of each month and adjust it when the difference between the updated rate and the prevailing rate is one percentage point or more, or when the prevailing rate has remained stationary for over six months.

³ These include two Executive Officers I, two Clerical Officers, two Assistant Clerical Officers and one Clerical Assistant.

The fee is determined on a full cost-recovery basis. It is currently set at \$165. The proposal will have no impact on the fee level.

BACKGROUND INFORMATION

11. On 5 December 1997, Finance Committee approved the introduction of the NLS to cover all full-time students who are eligible for assistance under the Local Student Finance Scheme with effect from the 1998/99 academic year. Since then, Finance Committee has approved further expansion of the ambit on 17 July 1998 and 12 November 1999 respectively.

12. In his 2000-01 Budget Speech on 8 March 2000, the Financial Secretary announced a package of initiatives to enhance training, retraining and employment. One of the initiatives is to widen the scope of the NLS to benefit more people pursuing continuing education. We briefed the Legislative Council Education Panel and Manpower Panel on 20 March 2000 and 30 March 2000 respectively on the package of measures to promote employment and continuing education. Members generally welcomed the proposals.

13. Under the NLS, loans are disbursed direct to the institutions or to students who have already paid their tuition fees provided they can produce documentary proof of payment. Interest would accrue upon drawdown of the loan. The loan ceiling is capped at the level of the tuition fee payable to the respective institutions. The loan would be repaid in 40 quarterly instalments within ten years after the recipient's graduation or cessation of studies or six years after the first disbursement of loan if the recipient has not yet completed or ceased studying by then. In all cases, loan recipients may also choose to make early repayments of the loans.

Education and Manpower Bureau
June 2000

Criteria to be Adopted by the C,SFAA in Approving Institutions and Courses for the Purpose of the Non-means-tested Loan Scheme

C,SFAA will consider the eligibility of a course having regard to the nature of the institution offering the course as well as the nature of the course being offered.

Approval of Institutions

The institutions offering the course must fall under one of the following categories:

- (a) A registered trade, professional, business association or Chamber of Commerce.
- (b) An educational agency having affiliation with the Consulate or foreign government (e.g. Alliance Francaise, British Council, etc.)
- (c) A company incorporated under the Companies Ordinance (Chapter 32) that has at least three years of experience in providing training.

Approval of Courses

The course being offered must be:

- (a) A course undertaken to gain or maintain qualifications for use in any employment;
- (b) A course that takes not less than one month to complete; and
- (c) A course that will lead to an award of qualification or certificate of attendance.

C,SFAA will maintain a register of approved institutions/courses and make available to the public for reference.