

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 190 – UNIVERSITY GRANTS COMMITTEE**

#### **Subhead 000 Operational expenses**

### **HEAD 156 – GOVERNMENT SECRETARIAT: EDUCATION BUREAU**

#### **Subhead 700 General non-recurrent**

#### **New Item “Injection into the Research Endowment Fund”**

Members are invited to –

- (a) accept the total recurrent grant for the University Grants Committee-funded institutions for the 2012/13 to 2014/15 triennium, estimated at \$42,208.9 million; and
- (b) approve a new commitment of \$5 billion for injection into the Research Endowment Fund for enhancing the research capacity of both the publicly-funded and self-financing institutions in the higher education sector.

### **PROBLEM**

The eight institutions funded by University Grants Committee (UGC) need confirmation of the level of recurrent grants that they will receive for the 2012/13 to 2014/15 triennium in order to finalise their budgets and academic programmes for that period. We also need to enhance the research capacity of both the publicly-funded and self-financing institutions in the higher education sector.

**/PROPOSAL .....**

**PROPOSAL**

2. The Secretary for Education proposes that Members accept the total recurrent grant for the eight UGC-funded institutions for the 2012/13 to 2014/15 triennium, estimated at \$42,208.9 million; and approve the injection of \$5 billion into the Research Endowment Fund for enhancing the research capacity of both the publicly-funded and self-financing institutions in the higher education sector.

3. Members are also invited to note a revision in the cash flow of an amount of \$7 million in the total recurrent grant for Other Teaching and Learning Initiatives, which supports inter-institutional collaboration projects that aim to enhance teaching and learning. Instead of even allocation across the three academic years in the 2012/13 to 2014/15 triennium, we now propose to step up the allocation progressively from \$1 million in 2012/13 to \$2 million in 2013/14 then \$4 million in 2014/15. This will give the institutions more time to develop inter-institutional collaborative projects that can be supported by this funding. The details are set out in Enclosure 3.

Encl. 3

**JUSTIFICATION****Recurrent funding requirements for UGC-funded institutions in the 2012/13 to 2014/15 triennium**

4. The Administration and UGC follow a triennial planning cycle for the UGC sector. UGC has submitted to the Administration funding recommendations for the 2012/13 to 2014/15 triennium recurrent grants for the eight institutions, reflecting the indicative student number targets and the approved Academic Development Proposals of the institutions.

***Student Number Targets***

5. UGC's recommendations on the distribution of indicative student number targets are set out at Enclosure 1. The key student number targets are as follows –

Encl. 1

/(a) .....

- (a) The number of publicly-funded first-year first-degree (FYFD) places in full-time-equivalent (fte) terms<sup>1</sup> will be increased from 14 620<sup>2</sup> to 15 000 per cohort. To tie in with the implementation of the New Academic Structure in the 2012/13 academic year, 30 000 FYFD places will be provided for the double cohorts: 15 000 for normative three-year programmes and another 15 000 for normative four-year programmes.
- (b) The number of publicly-funded senior year undergraduate places will be increased from the existing 3 974 to 8 000 per annum by phases, with 2 487, 2 987 and 4 000 intakes in the 2012/13, 2013/14 and 2014/15 academic years respectively. The significant increase will facilitate the healthy and sustainable development of a multiple-entry and multiple-exit higher education system with greater and smoother inter-flow between the self-financing and publicly-funded sectors as well as between the sub-degree (SD) and degree sectors.
- (c) Majority of the publicly-funded SD places in the UGC-funded sector will be maintained, subject to phasing out of programmes not meeting the established retention criteria<sup>3</sup> and that individual institutions decide to stop offering.
- (d) The number of publicly-funded taught postgraduate places will generally be maintained at the 2011/12 level (around 2 200 places across different years of study per annum).
- (e) The number of publicly-funded research postgraduate places will remain at 5 595 per annum.

6. We will continue to adopt a two-pronged strategy in promoting the parallel development of the publicly-funded sector and the self-financing sector. Apart from increasing the number of UGC-funded FYFD and senior year undergraduate places, the Government also encourages the development of the

/self-financed .....

---

<sup>1</sup> Student number targets in this paper are presented in fte term unless otherwise specified.

<sup>2</sup> The Executive Council (ExCo) originally approved that 14 500 FYFD places per annum should be provided in the 2009/10 to 2011/12 triennium. Subsequently, ExCo approved in June 2009 provision of 120 additional FYFD places to the Hong Kong Institute of Education from the 2010/11 academic year onwards in support of its development into a multi-disciplinary institution, resulting in a total of 14 620 FYFD per annum.

<sup>3</sup> SD programmes in the UGC-funded sector will continue to be subsidised if (a) they require high start up and maintenance costs or access to expensive laboratories or equipment; (b) they meet specific manpower needs; or (c) they have preservation value despite a low intake.

self-financed post-secondary sector by providing a series of support measures including land grant at nominal premium, start-up loans, quality enhancement grants and accreditation grants. There are currently six self-financing degree-awarding institutions providing undergraduate programmes in Hong Kong. Together with the self-financing programmes offered by some UGC-funded institutions, there are about 4 500 full-time locally accredited self-financing FYFD places and some 3 800 full-time locally accredited self-financing top-up degree intake places provided by these institutions per annum. We have expanded the student financial assistance schemes so that students pursuing locally accredited self-financing post-secondary programmes are eligible for means-tested grant and loan as well as non-means-tested loan on largely the same basis as students in publicly-funded programmes.

7. We estimate that, by the 2014/15 academic year, over one-third of the relevant age cohort will have the opportunity to pursue degree-level education (including first-year and senior year intakes). Including SD places, over two-thirds of our young people in the relevant age group will have access to post-secondary education. While SDs are independent and valuable qualifications, we recognise that some meritorious graduates aspire to pursue further studies. We estimate that over one-fifth of SD graduates may articulate to full-time accredited degree education.

#### *Normative length of UGC-funded programmes*

8. With the implementation of the New Academic Structure in the tertiary sector in 2012, the normative length of undergraduate programmes will be extended from three to four years. The normative study length for senior year entrants (i.e. SD graduates) is two years. The normative length for Doctor of Philosophy programmes is three years for students with a Master's degree and four years for those without a Master's degree.

#### *Cash Limit for the UGC-funded sector*

9. The level of recurrent grants to the UGC-funded sector (known as the Cash Limit) is a deficiency subvention by deducting from the institutions' estimated total recurrent funding requirements the assumed income of the institutions, which includes income from tuition fees and other sources (mainly interest and investment income).

10. The recommended Cash Limit for the entire UGC-funded sector for the 2012/13 to 2014/15 triennium is \$42,208.9 million. The recurrent grants for the sector will increase by around \$3 billion by the 2014/15 academic year vis-à-vis the 2011/12 academic year. The Cash Limit reflects –

- (a) the funding for the additional year of the new four-year curriculum under the New Academic Structure;
- (b) additional funding of around \$1 billion in a full year for the increase in FYFD and senior year undergraduate places, and other necessary adjustments for changes in student number targets in the 2012/13 to 2014/15 triennium;
- (c) necessary price adjustments to the UGC-funded sector's current funding requirement in accordance with the established mechanism (including inflation and civil service pay adjustment);
- (d) the proposed injection into the Research Endowment Fund, the investment income generated from \$2 billion of which will replace the existing \$100 million funding per year in the Cash Limit for earmarked research grants starting from the 2013/14 academic year; and
- (e) the assumption that the tuition fees will remain at their current levels.

11. In accordance with established practices for assessing the triennial funding for the institutions, we have not taken into account the additional requirements/adjustments for government funding to support the UGC Home Financing Scheme introduced in October 1998 and refund of government rent and rates. We will adjust the funding to be made available to institutions to reflect the agreed arrangements of these items separately in the usual manner.

#### ***Allocation of resources among the eight institutions***

12. Subject to the total recurrent grant of \$42,208.9 million being accepted by the Finance Committee (FC), UGC will allocate the resources among the eight institutions in accordance with its methodology for determining the levels of recurrent grants to the individual institutions. The methodology, as detailed at Enclosure 2, assesses the resources required to meet the teaching and research requirements of each institution. Based on this methodology, UGC's plan for allocation of resources among the eight UGC-funded institutions in the 2012/13 to 2014/15 triennium is at Enclosure 3.

Encl. 2

***/Funding .....***

*Funding for the additional year of the new four-year curriculum*

13. The Administration decided in the 2004/05 academic year that funding for the additional year of university education under the New Academic Structure would be shouldered by the Government, institutions, parents and students under a shared-funding model, at a total annual recurrent cost of around \$1.8 billion. This level was accepted by institutions. Taking into account the increase in the number of FYFD places and price adjustments, the cost will be adjusted to around \$2.1 billion at 2010/11 prices in a full year. We will keep in view the financial situation of the institutions in consultation with UGC as the triennium progresses to assess the real impact of the New Academic Structure.

*Top-up funding for additional medical places*

14. To meet the increasing demand for medical doctors in the future arising from new and enhanced medical and health services, the number of medical FYFD places will be increased from 320 to 420 per annum in the 2012/13 to 2014/15 triennium. Having regard to the higher student unit cost and longer duration of medical disciplines, the Government has agreed to provide top-up funding of around \$200 million in a full year on an exceptional basis for the additional medical places in the UGC-funded sector. The Government will review the demand for medical doctors in the next triennial planning exercise and adjust the related funding arrangement as appropriate.

*Carrying over of unspent funds across triennia*

15. In line with the established practice, each institution is allowed to carry up to 20% of its total recurrent grant allocated by UGC during the last triennium (the 2009/10 to 2011/12 triennium) to the 2012/13 to 2014/15 triennium as general reserve.

**Injection into Research Endowment Fund**

16. The Research Endowment Fund was established in February 2009 with an original endowment of \$18 billion. The investment income of the endowment is intended to –

- (a) replace, from the 2010/11 academic year onwards, \$506 million of annual recurrent subvention to the Research Grants Council (RGC) for distribution as earmarked research grants to the UGC-funded institutions; and

(b) .....

- (b) support theme-based research<sup>4</sup> with investment income of up to \$4 billion of the Research Endowment Fund, thus allowing the institutions to work on research proposals on themes of a more long-term nature and strategically beneficial to the development of Hong Kong.

17. In the 2011/12 academic year, the amount of earmarked research grant is \$795 million, comprising funding derived from the investment income of the Research Endowment Fund and another \$100 million redeployed from the recurrent grants.

18. To enhance the research capacity of the higher education sector, the Chief Executive proposed in the 2011-12 Policy Address to inject \$5 billion into the Research Endowment Fund. Of that, the investment income from \$3 billion will fund the self-financing tertiary institutions on a competitive basis to enhance academic and research development. The investment income of the remaining \$2 billion will replace the existing recurrent provision of \$100 million to the RGC to provide stable research funding for UGC-funded institutions.

19. UGC's report on the Higher Education Review recommends that we should review periodically self-financing institutions' access to competitive research funding. We agree that part of the competitive research funding should be open to applications from academics in the local self-financing degree sector. The investment income from \$3 billion of the proposed injection will be distributed on a competitive basis to full-time academics in the local self-financing degree sector (including applications submitted by such academics in collaboration with academics from UGC-funded institutions). At present, there are six self-financing degree-awarding institutions, namely the Open University of Hong Kong, Hong Kong Shue Yan University, Chu Hai College of Higher Education, Hang Seng Management College, Tung Wah College and Caritas Institute of Higher Education.

20. As the research capacity of our self-financing institutions will take some time to mature in quantity and quality, we envisage that the number of successful research proposals from self-financing institutions may need time to gear up. Unused investment income in the short run will be retained as seed

/money .....

---

<sup>4</sup> The Theme-based Research Scheme was launched in 2010, with the following three themes selected: promoting good health; developing a sustainable environment; and enhancing Hong Kong's strategic position as a regional and international business centre.

money to generate more investment income for future use by the self-financing institutions. We will consult the self-financing degree sector on the implementation details and keep in view the actual utilisation of the competitive research funding.

21. The investment income of the \$2 billion will replace the existing recurrent provision of \$100 million to RGC for distribution as earmarked research grants to UGC-funded institutions, thus providing greater funding stability and certainty. To allow sufficient run-in time, we will only start to draw down the investment income of the Research Endowment Fund to support research projects in the UGC sector from the 2013/14 academic year onwards. RGC will continue to determine the allocation of earmarked research grants on its own and in accordance with the established method.

## FINANCIAL IMPLICATIONS

22. The recommended Cash Limit for the 2012/13 to 2014/15 triennium is \$42,208.9 million. The estimated cash flow, by financial years, is as follows –

<b>Financial Year</b>	<b>\$ million</b>
2012–13	10,402.1
2013–14	13,981.5
2014–15	14,245.2
2015–16	3,580.1
<b>Total</b>	<b>\$42,208.9</b>

Subject to Members' agreement, we will include the necessary provision in the annual Estimates of the relevant financial years. In line with the established arrangement, the Cash Limit, once determined, will not be adjusted during the period except for adjustments to take into account changes in the assumed income, any new initiatives from the Government and any further civil service pay adjustment.

23. The injection into the Research Endowment Fund will require one-off funding of \$5 billion. We will earmark sufficient funding in the 2012-13 Estimates and make the injection at the beginning of the 2012-13 financial year so that the Research Endowment Fund can start earning investment income as soon as possible. The investment income from \$3 billion of the injection will provide new competitive research funds for the local self-financing degree sector and the investment income from the remaining \$2 billion will replace the existing annual recurrent funding of \$100 million to RGC starting from the 2013/14 academic year.



24. Pending further discussion on implementation details for providing competitive research funding to the local self-financing degree sector, we are not able to assess at this stage the exact manpower implications. We will seek additional resources in accordance with the established mechanism as appropriate.

## **PUBLIC CONSULTATION**

25. The proposed recurrent grants to the UGC-funded sector for the 2012/13 to 2014/15 triennium are based on UGC's proposals. UGC's report on the Higher Education Review recommends that we should review periodically self-financing institutions' access to competitive research funding.

26. The Legislative Council Panel on Education discussed the proposals at its meeting on 14 November 2011. Whilst Members did not have any adverse comment on the Administration's recommendations regarding the recurrent grants to the UGC-funded sector for the 2012/13 to 2014/15 triennium and the proposed injection to the Research Endowment Fund, Members expressed concerns about the Administration's intention of revisiting the 18% cost recovery target and tuition fee adjustment mechanism taking into account the latest development in the sector, locally and overseas. Some Members objected to the possibility of including non-recurrent funding in the student unit cost for determining the tuition fee levels. Some Members also remarked that, amidst uncertainties in the prevailing economic climate, any tuition fee increase might impose a heavy financial burden on students from low-income families. In the light of the above concerns, a majority of the Members present did not support the submission of the funding proposal to FC.

27. The tuition fees of UGC-funded programmes have been frozen at the current levels since the 1997/98 academic year. We have adopted the current levels of tuition fees as the basis for calculating the recurrent grant for the UGC sector for the 2012/13 to 2014/15 triennium, as recommended in this paper. We will take into account the experience in the early years of implementing the New Academic Structure in the 2012/13 to 2014/15 triennium before embarking on any review of the tuition fee level. The tuition fee will be maintained at the current level pending the outcome of the review, which is likely to be available not earlier than the end of the 2012/13 to 2014/15 triennium or the beginning of the 2015/16 to 2017/18 triennium. Furthermore, the Administration will continue to provide student financial assistance to ensure that no qualified student will be denied access to higher education because of a lack of financial means.

28. The institutions have recently expressed their earnest hope that the funding arrangement for the 2012/13 to 2014/15 triennium should be confirmed as soon as possible to facilitate the implementation of the New Academic Structure in the 2012/13 academic year. Separately, the self-financing degree sector has also indicated strong support to the proposed injection into the Research Endowment Fund to provide new competitive research funds for self-financing institutions as a boost to the research capacity of the higher education sector in Hong Kong.

## **BACKGROUND**

29. The Administration and UGC follow a triennial planning cycle for the UGC sector. The 2010-11 Policy Address announced the proposed increase of publicly-funded FYFD places to 15 000 for each cohort from the 2012/13 academic year, and that senior year undergraduate intake places should be doubled progressively to 4 000 each year to provide more articulation opportunities for SD graduates. The 2011-12 Policy Address announced the proposed injection of \$5 billion into the Research Endowment Fund.

-----

Education Bureau  
January 2012

**Enclosure 1 to FCR(2011-12)67**

**Distribution of indicative student number targets  
in full-time-equivalent (FTE) for the 2012/13 to 2014/15 triennium<sup>(Note 1)</sup>**

**Undergraduate (total numbers including senior year places)**

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	7 931	10 078	10 254	10 702	31 033
HKBU*	4 286	5 590	5 662	5 829	17 081
LU	2 087	2 534	2 487	2 460	7 481
CUHK	9 984	13 518	13 956	14 337	41 811
HKIEd	3 164	4 149	4 188	4 179	12 516
PolyU	8 553	11 177	11 453	11 998	34 627
HKUST	5 680	7 655	7 747	7 801	23 203
HKU	9 435	12 732	13 137	13 451	39 320
<b>Total</b>	<b>51 119</b>	<b>67 432</b>	<b>68 883</b>	<b>70 757</b>	<b>207 072</b>

\* Including "2+2" Diploma in Education programme which is funded at undergraduate level.

**Undergraduate Senior Year Places (numbers incorporated in "Undergraduate" table above)**

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	1 368	1 479	1 722	2 236	5 437
HKBU	356	411	521	686	1 618
LU	248	248	248	248	744
CUHK	310	390	550	700	1 640
HKIEd	-	20	61	121	202
PolyU	1 388	1 499	1 742	2 256	5 497
HKUST	114	157	200	200	557
HKU	190	270	430	540	1 240
<b>Total</b>	<b>3 974</b>	<b>4 474</b>	<b>5 474</b>	<b>6 987</b>	<b>16 935</b>

**First-Year-First-Degree Places (numbers incorporated in "Undergraduate" table above)**

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13 (3-year programme)</b>	<b>2012/13 (4-year programme)</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	2 162	2 111	2 095	2 095	2 095	8 396
HKBU	1 261	1 266	1 223	1 223	1 223	4 935
LU	580	553	553	553	553	2 212
CUHK	3 025	3 159	3 247	3 247	3 247	12 900
HKIEd	610	621	621	621	621	2 484
PolyU	2 306	2 460	2 337	2 337	2 337	9 471
HKUST	1 857	1 888	1 901	1 901	1 901	7 591
HKU	2 819	2 942	3 023	3 023	3 023	12 011
<b>Total</b>	<b>14 620</b>	<b>15 000</b>	<b>15 000</b>	<b>15 000</b>	<b>15 000</b>	<b>60 000</b>

/Taught .....

**Taught Postgraduate**

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	53	53	53	53	159
HKBU	280	253	235	235	723
LU	-	-	-	-	-
CUHK	670	740	712	712	2 164
HKIEd	430	450	427	427	1 304
PolyU	15	15	15	15	45
HKUST	-	-	-	-	-
HKU	795	771	751	751	2 273
<b>Total</b>	<b>2 243</b>	<b>2 281</b>	<b>2 193</b>	<b>2 193</b>	<b>6 667</b>

**Research Postgraduate (RPg)**<sup>(Note 2)</sup>

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	506	461	429	383	1 273
HKBU	196	181	166	150	497
LU	49	49	47	41	137
CUHK	1 559	1 493	1 361	1 211	4 065
HKIEd	31	32	30	27	89
PolyU	535	484	445	390	1 319
HKUST	1 133	1 057	939	813	2 809
HKU	1 586	1 503	1 359	1 200	4 062
Tentatively allocated <sup>(Note 3)</sup>	-	272	672	1 142	2 086
Centrally kept places <sup>(Note 3)</sup>	-	63	147	238	448
<b>Total</b>	<b>5 595</b>	<b>5 595</b>	<b>5 595</b>	<b>5 595</b>	<b>16 785</b>

**Sub-Degree**

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	1 007	921	841	841	2 603
HKBU	-	-	-	-	-
LU	-	-	-	-	-
CUHK	-	-	-	-	-
HKIEd	1 230	1 086	1 158	1 113	3 357
PolyU	3 354	3 338	3 020	2 367	8 725
HKUST	-	-	-	-	-
HKU	-	-	-	-	-
<b>Total</b>	<b>5 591</b>	<b>5 345</b>	<b>5 019</b>	<b>4 321</b>	<b>14 684</b>

**/Total .....**

**Total Enrolment**

<b>Institutions</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>Total for the 2012-15 Triennium</b>
CityU	9 497	11 513	11 577	11 979	35 068
HKBU	4 762	6 024	6 063	6 214	18 301
LU	2 136	2 583	2 534	2 501	7 618
CUHK	12 213	15 751	16 029	16 260	48 040
HKIEd	4 855	5 716	5 803	5 746	17 265
PolyU	12 457	15 013	14 933	14 770	44 716
HKUST	6 813	8 712	8 686	8 614	26 012
HKU	11 816	15 006	15 247	15 402	45 655
Tentatively allocated <sup>(Note 3)</sup>	-	272	672	1 142	2 086
Centrally kept places <sup>(Note 3)</sup>	-	63	147	238	448
<b>Total</b>	<b>64 548</b>	<b>80 652</b>	<b>81 690</b>	<b>82 866</b>	<b>245 208</b>

Notes:

1. Figures may not add up to the corresponding totals owing to rounding.
2. With a total of 5 595 RPg places available for each year of the 2012/13 to 2014/15 triennium, the allocation of RPg places to individual institution is an on-going process. The figures provided here refer to the position as at 8 September 2011.
3. Of the total 5 595 RPg places for each year of the 2012/13 to 2014/15 triennium, these places are tentatively allocated/kept in the central pool, as a result of the introduction of competitive elements for allocating RPg places. With the support of heads of institutions, the University Grants Committee's intention is that within five years from the 2012/13 academic year, 50% of all research postgraduate places will be allocated either through direct competition or by reference to other competitive schemes.

Abbreviations:

CityU	City University of Hong Kong
HKBU	Hong Kong Baptist University
LU	Lingnan University
CUHK	The Chinese University of Hong Kong
HKIEd	The Hong Kong Institute of Education
PolyU	The Hong Kong Polytechnic University
HKUST	The Hong Kong University of Science and Technology
HKU	The University of Hong Kong

-----

**Methodology for determining the levels of recurrent grants  
for the University Grants Committee (UGC)-funded institutions**

The UGC funding methodology was developed in 1994 and has been used since then for the assessment of the triennial recurrent grants. It has been reviewed and improved to ensure that it is appropriate for current circumstances.

2. Recurrent grants to each UGC-funded institution basically comprise a block grant and funds provided for specific purposes. The purpose of the UGC recurrent grants is to fund institutions to support pursuit of their different roles and missions in teaching and research.

**BLOCK GRANT**

3. The 2012/13 academic year is the first year of the implementation of the New Academic Structure in the UGC-funded sector. Thus, there will be new recurrent funding for the additional year under the New Academic Structure (“new pot of money”) in addition to the existing funding (“existing pot of money”) for the three years of undergraduate study and other levels of study. In this regard, a “two pots of money” approach/funding methodology has been applied to the whole of the 2012/13 to 2014/15 triennium as detailed below. However, institutions will still receive a lump-sum block grant, and the separate methodology in allocating the new Year 1 funding will not affect the existing autonomy in which institutions deploy their block grant.

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

4. In the 2012/13 to 2014/15 triennium, the amount of block grants 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 Teaching element is based on the student numbers, their study levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate), mode of study (i.e. part-time and full-time) and disciplines of study. Some subjects are more expensive than the others because they require special equipment, laboratory or more staff time, etc. Relative cost weightings by broad academic programme categories have been grouped into three price groups since the 2005/06 to 2007/08 triennium, as shown in the table below –

/Academic .....

Academic Programme Categories (APC)	Price Group of APCs	Relative Cost Weightings	
		Teaching Programme	Research Programme
1. Medicine 2. Dentistry	A Medicine & Dentistry	3.6	1.8
3. Studies Allied to Medicine and Health 4. Biological Sciences 5. Physical Sciences 6. Engineering and Technology 7. Arts, Design & Performing Arts	B Engineering & Laboratory Based Studies	1.4	1.4
8. Mathematical Sciences 9. Computer Science and Information Technology 10. Architecture and Town Planning 11. Business and Management Studies 12. Social Sciences 13. Law 14. Mass Communication & Documentation 15. Languages & Related Studies 16. Humanities 17. Education	C Others	1.0	1.0

## Research Element

6. In the 2012/13 to 2014/15 triennium, the Research element will comprise two parts: one part informed by performance in the Research Assessment Exercise (RAE) 2006 and another part to be informed by success under the Research Grants Council (RGC). Regarding the latter component, the UGC will gradually allocate about 12.5% of the Block Grant, or 50% of the prevailing Research-portion (R-portion)(i.e. excluding the teaching element), on a more competitive basis according to institutions' success in obtaining RGC Earmarked Research Grants in the next three triennia (over nine years), to fund the indirect/on-costs of research projects approved by the RGC<sup>1</sup>. The fund will continue to be disbursed to the institutions as part of the Block Grant 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. A review will be conducted before the end of the 2012/13 to 2014/15 triennium to see whether the pace of implementation should be adjusted.

**/Professional .....**

<sup>1</sup> Details are explained to the Legislative Council Panel on Education in July 2011 vide LC Paper No. CB(2)2291/10-11(07). The change will build a direct correlation between the magnitude of RGC Earmarked Research Grants an institution obtains and its share of the research portion on indirect/on-costs. To taper the pace, the UGC will earmark 1.3% of the Block Grant each year (on a cumulative basis) for competitive allocation in the 2012/13 to 2014/15 triennium, increasing to 1.4% of the Block Grant and then to 1.5% of the Block Grant each year (on a cumulative basis), in the second and third triennia.

### **Professional Activity Element**

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

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

8. The new funding for the additional year under the New Academic Structure is treated as a separate pot of money and is allocated wholly as “teaching funding”, while recognising differentiation in the teaching cost among faculties with price weights of 1.4 and 1.0 for (i) Medicine, Dentistry, Engineering and Laboratory-based studies; and (ii) Others respectively.

### **Academic Development Proposal Exercise and Competitive Allocation**

9. The UGC implemented the Competitive Allocation Mechanism – a performance-based allocation method adopted since the 2009/10 to 2011/12 triennium – in allocating the student places for the 2012/13 to 2014/15 triennium. Under the mechanism, each institution is required to set aside a small number of their non-manpower-planned first-year-first-degree places for re-distribution among the institutions to reflect comparative merits among themselves against the agreed criteria. During the process, institutions need to strategically review their academic profile, identify and prioritise areas of programmes considered fit for slimming or expanding in order to enhance and sharpen their roles. That said, how the institutions arrange their academic portfolio and offering is entirely a matter of their autonomy.

### **Allocation of Block Grant within Institutions**

10. The above-mentioned methodology only serves as a basis for determining the block grant allocation to the UGC-funded institutions. Once allocations are approved, institutions have a high degree of freedom and responsibility for determining the best use of the resources vested in them.

### **FUNDS FOR SPECIFIC PURPOSES**

11. For the 2012/13 to 2014/15 triennium, the UGC has recommended to disburse the following grants for achieving various purposes that are considered to be important to the development of the local higher education sector –

/(i) .....



(i) Earmarked Research Grant (ERG)

ERG is distributed by the RGC to support research projects and research activities. In the 2011/12 academic year, the amount of ERG is \$795 million<sup>2</sup>, comprising funding derived from the investment income of the Research Endowment Fund and another \$100 million redeployed from the Block Grant. With the injection of \$2 billion into the Research Endowment Fund, the \$100 million transfer from the Block Grant will be replaced starting from the 2013/14 academic year.

(ii) Language Enhancement Grant (LEG) and Teaching Development Grant (TDG)

LEG and TDG are designed to encourage and promote development of language skills, as well as innovative and improved methods of teaching. As a continuing signal of UGC's keen interest in these important activities, \$156 million each year is proposed to be provided to institutions in the 2012/13 to 2014/15 triennium.

(iii) Knowledge Transfer

To build up institutional capacity and to broaden institutions' endeavour in knowledge transfer, the UGC will reserve an annual funding of around \$52.8 million, for institutions for the 2012/13 to 2014/15 triennium.

(iv) Central Allocation Vote

The UGC continues to see a need to reserve a modest amount centrally to support new and unforeseen developments and hence \$140 million has been set aside each year for this purpose plus \$80 million earmarked for Areas of Excellence projects previously funded by this vote in the 2009/10 to 2011/12 triennium. Collaborative projects and ad hoc projects will be funded from Central Allocation Vote.

(v) Others

There are a number of other small extra formulaic adjustments relating to specific activities of institutions totalling some \$100 million each year on average, endorsed by the UGC.

-----

---

<sup>2</sup> Include funding for the Early Career Scheme established this year to nurture junior new academics.

**Allocation of recurrent funding for  
UGC-funded Institutions in the 2012/13 to 2014/15 triennium**<sup>(Note 1)</sup>

	Academic year (July to June)				Triennium Total (\$ million)
	2011/12 (\$ million)	2012/13 (\$ million)	2013/14 (\$ million)	2014/15 (\$ million)	
<b>Recurrent Grants</b> <sup>(Note 2)</sup>	(Approved allocation)				
City University of Hong Kong	1,365.8	1,612.3	1,655.1	1,735.8	<b>5,003.1</b>
Hong Kong Baptist University	646.2	798.7	807.6	831.5	<b>2,437.8</b>
Lingnan University	280.4	340.9	337.8	334.8	<b>1,013.5</b>
The Chinese University of Hong Kong	2,510.8	3,150.7	3,226.2	3,288.9	<b>9,665.7</b>
The Hong Kong Institute of Education	517.2	594.1	598.2	599.6	<b>1,791.9</b>
The Hong Kong Polytechnic University	1,865.6	2,226.6	2,212.5	2,221.2	<b>6,660.3</b>
The Hong Kong University of Science and Technology	1,401.5	1,689.6	1,703.1	1,719.8	<b>5,112.5</b>
The University of Hong Kong	2,473.2	3,036.3	3,133.2	3,215.1	<b>9,384.7</b>
<i>Sub-total of Recurrent Grants</i>	11,060.7	13,449.1	13,673.6	13,946.8	<b>41,069.5</b>
<b>Recurrent Grants to be allocated in the 2012/13-2014/15 triennium</b>					
Earmarked Research Grants <sup>(Note 3)</sup>	100.0	128.5	28.5	28.5	<b>185.4</b>
Funding for 448 Research Postgraduate places centrally held	-	18.0	42.1	68.5	<b>128.5</b>
Funding for Knowledge Transfer	50.0	52.8	52.8	52.8	<b>158.4</b>
Other Teaching and Learning Initiatives <sup>(Note 4)</sup>	-	1.0	2.0	4.0	<b>7.0</b>
Central Allocation Vote <sup>(Note 5)</sup>	100.0	220.0	220.0	220.0	<b>660.0</b>
<b>Total Recurrent Grants</b>	<b>11,310.8</b>	<b>13,869.4</b>	<b>14,019.0</b>	<b>14,320.6</b>	<b>42,208.9</b>
<b>Projected Annual Research Funding for UGC-funded Institutions from the Research Endowment Fund (\$ million)</b>	<b>Around 800-1,000 per annum</b>				

## Notes:

1. The numbers may not add up due to rounding.
2. Figures are indicative, which may increase or decrease slightly (estimated to be within +/- 2% generally) when actual competition results on the allocation of Research Postgraduate places and for indirect/on-costs of RGC projects are available.
3. Include \$100 million that has been deployed within the Cash Limit for research funding since the 2006/07 academic year and \$28.5 million, part of which is designated as research funding for Humanities and Social Sciences disciplines. The investment income from \$2 billion out of the proposed \$5 billion injection into the Research Endowment Fund will replace the \$100 million starting from the 2013/14 academic year.
4. This funding is intended for supporting inter-institutional collaboration projects that aim to enhance teaching and learning. Instead of allocating it evenly across the three academic years in the 2012/13 to 2014/15 triennium with \$2.3 million each academic year as proposed in FCR(2011-12)55 on 2 December 2011, we now propose to step up the allocation of the \$7 million progressively from \$1 million in 2012/13 to \$4 million in 2014/15. This will give the institutions more time to develop inter-institutional collaborative projects that can be supported by this funding.
5. Include \$80 million funding for Areas of Excellence Scheme.