



中華人民共和國香港特別行政區政府總部教育局  
Education Bureau  
Government Secretariat, The Government of the Hong Kong Special Administrative Region  
The People's Republic of China

本局檔號 Our Ref. : EDB(HE)CR 5/2041/08  
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8 February 2012

Clerk to the Finance Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong  
(Attn: Mr Daniel Sin)

Dear Mr Sin,

**Finance Committee  
Follow-up to Meeting on 9 December 2011**

I refer to your letter of 17 January 2012 to the Secretary for Financial Services and the Treasury. Your request has been relayed to us for follow-up action.

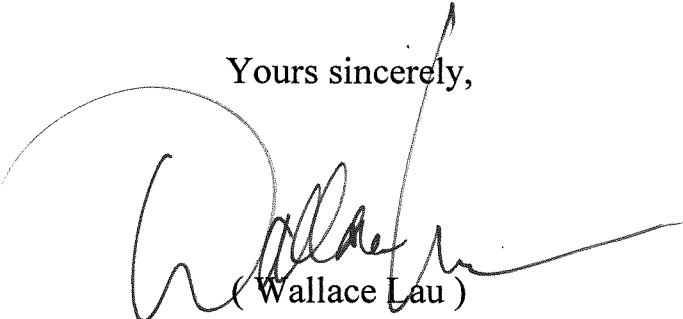
To enable institutions to compete globally for talents, the Finance Committee has approved vide FCR(2003-04)5 the deregulation of salaries and housing benefits for the staff of the eight University Grants Committee-funded (UGC-funded) institutions with effect from 1 July 2003. UGC-funded institutions are henceforth free to decide the remuneration packages and housing benefits of their own staff, including expatriate staff, in response to changing local and international conditions and on the basis of merit and performance. The institutions may also continue to deploy their existing quarters to provide accommodation to local and expatriate staff as they consider appropriate.

It should be noted that the purpose of the deregulation is not to save cost. In fact, the Government continues to adjust the portion of pay-related expenditure in the block grant to reflect any adjustment in civil service salaries, making reference to the circumstances before deregulation. For example, an additional sum of \$672 million was allocated to the UGC-funded institutions to reflect pay adjustment in the 2011/12 academic year. Meanwhile, the Finance Committee has recently accepted vide FCR(2011-12)67 the Government's proposal to increase the total recurrent grant for the UGC-funded institutions by a hefty sum of \$3 billion by the 2014/15 academic year. The bulk of the recurrent funding (including the pay-related portion) is disbursed to institutions within a singular block vote to provide institutions with maximum flexibility for internal deployment.

Besides, the Government also continues to provide additional funding required for the former UGC Home Financing Scheme (HFS), on top of and separate from the recurrent block grant. By way of background, the UGC HFS was introduced in 1998 as the only form of housing benefits for eligible staff of UGC-funded institutions. While the UGC HFS was expected to bring about long-term savings to the Government in terms of reducing the expenditure on former housing benefits, it would require additional cash flow expenditure in the initial years. After deregulation in 2003, the Government continues to top up the funding required for those staff who have joined the UGC HFS prior to the deregulation, as well as those other staff who were yet eligible for the UGC HFS by 1 July 2003 but would have a legitimate expectation of receiving the allowance in due course.

I should be grateful if you could circulate the above information to Members of the Finance Committee for their reference.

Yours sincerely,



(Wallace Lau)  
for Secretary for Education

cc: Secretary for Financial Services and the Treasury  
(Attn: Miss Polly Chong)

Secretary-General, University Grants Committee  
(Attn: Ms Jenny Yip)