

Head 190 — UNIVERSITY GRANTS COMMITTEE

Controlling officer: the Secretary-General, University Grants Committee will account for expenditure under this Head.

Estimate 2018–19 **\$22,207.1m**

Establishment ceiling 2018–19 (notional annual mid-point salary value) representing an estimated 69 non-directorate posts as at 31 March 2018 rising by nine posts to 78 posts as at 31 March 2019..... **\$48.3m**

In addition, there will be an estimated three directorate posts as at 31 March 2018 and as at 31 March 2019.

Commitment balance..... **\$3,070.0m**

Controlling Officer's Report

Programme

University Grants Committee

This programme contributes to Policy Area 16: Education (Secretary for Education).

Detail

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	2018–19 (Estimate)
Financial provision (\$m)	18,610.5	18,661.7	19,002.8 (+1.8%)	22,207.1 (+16.9%)
				(or +19.0% on 2017–18 Original)

Aim

2 The aim is to service the University Grants Committee (UGC) which advises the Government on the development and funding of higher education in Hong Kong, to administer government grants to the UGC-funded universities, and to support the UGC's objectives of advancing the quality of teaching and learning, research and knowledge transfer at the UGC-funded universities, and monitoring the efficiency and cost-effectiveness of the universities' UGC-funded activities.

Brief Description

3 The UGC Secretariat is specifically tasked with:

- providing support to the UGC and its sub-committees, the Research Grants Council (RGC) and its committees and panels, and the Quality Assurance Council (QAC) and its audit panels;
- facilitating communication and understanding among the Government, the UGC, the universities, and relevant stakeholders; and
- disbursing approved grants to the UGC-funded universities and monitoring their financial activities.

4 Various reviews and initiatives to enhance teaching and learning, language proficiency, knowledge transfer and internationalisation have taken place as planned. Research activities are on-going and developing.

5 The key achievements of the UGC in the 2016/17 and 2017/18 academic years and related performance measures are set out in the paragraphs below.

Funding for the 2016/17 to 2018/19 triennium and planning for the 2019/20 to 2021/22 triennium

- The Chief Executive in Council approved on 26 January 2016 the UGC's recurrent funding recommendations at a total cost of \$53,557.1 million for the 2016/17 to 2018/19 triennium. The UGC consulted the Panel on Education of the Legislative Council (Education Panel) on the subject on 1 February 2016. The funding allocation has already taken into account price adjustments in accordance with the established mechanism and funding for the additional senior year undergraduate places. Provision of \$17,876.3 million is earmarked in 2018–19 to meet the funding requirements of the UGC-funded universities in accordance with the established methodology for determining the level of recurrent grants to the individual universities.

- The UGC has initiated the Planning Exercise (renamed from the previous Academic Development Planning Exercise) for the 2019/20 to 2021/22 triennium with the UGC-funded universities, with the broad parameters set by the Government. It plans to submit its funding recommendations for the new triennium to the Government in the third quarter of 2018.

Senior Year Articulation Opportunities

- To enhance the articulation opportunities for sub-degree graduates, the 2014 Policy Address announced that from the 2015/16 academic year and in the triennium that follows, the intake of senior year undergraduate places in UGC-funded universities will progressively increase by a total of 1 000 places so that 5 000 meritorious sub-degree graduates will be able to articulate to subsidised degree programmes each year by the 2018/19 academic year. The number of publicly-funded senior year undergraduate places are being progressively increased from 3 974 (or 1 987 intake places) in the 2011/12 academic year to 9 925 (or 5 000 intake places) in the 2018/19 academic year.

Importance of Teaching

- Recognising the importance of teaching excellence in the UGC-funded universities, over 75 per cent of the total Block Grant is for teaching. The UGC has been organising the annual UGC Teaching Award. Annual provision of the Teaching Development and Language Enhancement Grant, which amounts to a total of \$512.8 million in the 2016/17 to 2018/19 triennium, is allocated to UGC-funded universities to enhance teaching quality and language proficiency of students.
- The UGC continues to support universities in the area of teaching and learning through supporting individual and collaborative projects. In the 2016/17 to 2018/19 triennium, the UGC has launched a funding scheme to support teaching and learning projects under the themes of (a) innovation; (b) enhancement of student learning experience; (c) enhancement of internationalisation and engagement with Mainland China; and (d) language enhancement. A total of 89 proposals were received from universities. The Assessment Panel has selected 38 proposals for funding and about \$178.9 million in total has been allocated to the selected proposals.

Quality Assurance

- The QAC is tasked to assist the UGC in discharging its role in quality-related matters in respect of programmes offered at the UGC-funded universities. The QAC has two primary roles: to undertake quality audits of the eight UGC-funded universities; and to promote quality assurance and enhancement through the spread of good practice.
- Prior to 2016, the QAC's audit activities only covered first degree programmes and above. The QAC conducted its first and second rounds of quality audits from 2008 to 2011 and from 2015 to 2016 respectively. In 2016, the UGC assumed the role of the overseeing body of the quality audits on the sub-degree operations of the UGC-funded universities, with the involvement of the QAC as the audit operator. The audit cycle commenced in October 2016.

Research Funding and Research Assessment Exercise

- A new Task Force on Review of Research Policy and Funding was set up under the UGC in October 2017. The Task Force will holistically review the existing research support strategy and the level and allocation mechanism of research funding for the higher education sector in Hong Kong, including the ways to allocate research funding in a more streamlined and transparent manner, and to encourage the sector to engage and collaborate with industry and engage in research commercialisation and knowledge transfer with industry. Depending on the outcome of the review, the Government will consider how resources should be provided to further support the academic and research development of the higher education sector. The UGC has started the preparation of the Research Assessment Exercise 2020 and informed the universities of the framework of the exercise. The UGC will continue engaging the universities in developing the implementation details of the exercise.

Work of the RGC

- Starting from the 2013/14 academic year, all research schemes under the RGC, with the exception of the Hong Kong PhD Fellowship Scheme and the Areas of Excellence Scheme, have been funded by investment income from the Research Endowment Fund (REF) with an original endowment of \$18 billion in 2009 and an injection of \$5 billion in 2012. Out of the \$23 billion, \$16 billion was for replacing the annual funding for earmarked research grants from the research subvention, \$4 billion for supporting the Theme-based Research Scheme and \$3 billion for providing new competitive research funds for the local self-financing degree sector. The Finance Committee (FC) of the Legislative Council approved on 19 January 2018 a further injection of \$3 billion to REF. Investment income generated from the injection will be used for the implementation of a new studentships scheme to provide non-means-tested studentships for local students enrolled in UGC-funded research postgraduate programmes.

- Under the Hong Kong PhD Fellowship Scheme which aims to attract students of high calibre to pursue their Doctor of Philosophy studies in Hong Kong, 231 fellowships were awarded in the 2017/18 academic year. For the 2018/19 academic year, the ninth call for the Scheme was closed on 1 December 2017 and the results will be announced in April 2018. As for the Areas of Excellence Scheme, it seeks to build upon Hong Kong's existing research strengths and develop them into areas of excellence. As at end December 2017, a total of 21 projects had been approved in the first seven rounds of exercise. The eighth call for the Scheme was closed in early January 2018 and the funding result will be announced in around December 2018.
- The RGC will launch a new competitive research funding scheme called the Research Impact Fund for the eight UGC-funded universities on a pilot basis in early 2018. The objective of the Research Impact Fund is to encourage more impactful research and foster more collaborative efforts with stakeholders beyond academia.

Knowledge Transfer

- The UGC recognises the importance of knowledge transfer in bringing about socio-economic benefits and impact to the community and businesses. Recurrent funding of \$62.5 million per year in the 2016/17 to 2018/19 triennium is being allocated to UGC-funded universities to further strengthen and broaden their endeavours, commensurate with their roles and missions.

Institutional and Financial Governance of Universities

- Following the promulgation of a new set of cost allocation guidelines and an updated version of accounting and disclosure practices to UGC-funded universities in 2015, the universities have been carrying out necessary enhancements to incorporate the new requirements of financial reporting in their accounting operations and systems; and to comply with these new requirements by phases in the designated timeframes. The UGC will continue to work with universities to ensure compliance of the new requirements in their financial reporting in the designated timeframes.
- Upon completion of the review of financial governance of universities and at the request of the Education Bureau, the UGC completed a consultancy study on governance of UGC-funded universities in 2015. The study aims to identify some international good practices in the governance of universities, so that pointers and advice could be drawn up to help enhance the effectiveness and transparency of the governing councils of UGC-funded universities, and also better equip council members for the proper discharge of their duties. With the “Governance in UGC-funded Higher Education Institutions in Hong Kong” report (the Governance Report) endorsed by the Government and released in March 2016, the UGC has been following up the recommendations in the Governance Report through a task force.

Internationalisation and Non-local Students

- Internationalisation continues to be a priority for the UGC, not only in terms of having more non-local students studying in Hong Kong and more local students being able to go on exchange programmes, but also by ensuring the whole institutional environment has an international context. UGC-funded universities are allowed to recruit non-local students to their publicly-funded taught programmes up to 20 per cent of the approved student number targets. The number of non-local students pursuing UGC-funded taught programmes in the 2016/17 academic year was 10 425, representing 11 per cent of total student enrolment. In the 2016/17 to 2018/19 triennium, about \$9 million has been allocated under a funding scheme of teaching and learning to incentivise universities to enhance their efforts in internationalisation and engagement with the Mainland thus benefitting the learning experience of students.

Hostel Development Fund

- The October 2017 Policy Address announced the provision of \$12 billion for the establishment of the Hostel Development Fund for UGC-funded universities with hostel shortfall to construct student hostels in a brand new approach with a lump-sum grant based on a unit subsidy rate. The Education Panel was consulted on the general framework of the Hostel Development Fund on 1 December 2017. After working out the details of the Fund in consultation with the universities, the funding proposal will be submitted to the FC in 2018–19.

Openness and Transparency of UGC Activities

- The UGC, RGC and QAC continue to make their work more transparent and open, and explain their work to and listen to views expressed by the public. The UGC pays visits to all eight universities to meet with their senior management, faculty members as well as students to enhance communication and listen directly to their views concerning the work of the UGC. Published reports are made public such as the UGC and RGC Annual Reports and the reports of the QAC quality audits. The RGC has also made its work more transparent by, for example, having four public lectures under the subject areas of “Cyber Security”, “Genetics, DNA Therapy and Personalised Medicine/Novel Cancer Treatments”, “Food Safety and Health” and “Creativity and Innovation of Technology” in 2017.

Head 190 — UNIVERSITY GRANTS COMMITTEE

Indicators

	<i>Academic Year</i>		
	2016/17 (Actual)	2017/18 (Revised Estimate)	2018/19 (Estimate)#
<i>Recurrent subventions</i>			
recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m)	18,625.9	18,868.2	18,996.6
Teaching Development and Language Enhancement Grant amount of grants (\$m)	170.9	170.9	171.0
grants for Areas of Excellence research projects on-going funded Areas of Excellence projects monitored	13	12	14
amount of grants (\$m)	90.1	90.0	90.0

Research Impact Fund will be launched in early 2018. Results will be available in early 2019. The amount of grants is not possible to estimate at the current stage.

	<i>Financial Year</i>		
	2016–17 (Actual)	2017–18 (Revised Estimate)	2018–19 (Estimate)
<i>Capital subventions</i>			
capital grants			
capital works project applications processed	2	0	0
capital works projects approved by the FC	0	1	1
amount of capital commitments approved by FC (\$m) ..	0	810.9	641.1
capital projects monitored	9	7	7
cost of on-going capital projects monitored (\$m)	5,759.6	5,429.1	5,710.0
capital subventions in terms of cash flow requirement for the year (\$m)	26.5	171.5	369.9
<i>Administration costs of UGC Secretariat</i>			
cost of administration as percentage of recurrent and capital grants administered (%)	0.6	0.6	0.8

	<i>Academic Year</i>		
	2016/17 (Actual)	2017/18 (Revised Estimate)	2018/19 (Estimate)¶
<i>Student numbers of UGC-funded programmes</i>			
student numbers in terms of Full-Time Equivalent (FTE)			
students			
undergraduate‡	83 058	84 285	73 554
taught postgraduate	2 197	2 082	1 798
research postgraduate	7 558	7 594	5 595
sub-degree	4 055	3 375	3 195
total	96 868	97 336	84 142
First-Year-First-Degree places (FTE)	17 826	18 096	15 000
senior year undergraduate intakes (FTE)	4 637	4 730	5 000

¶ The figures in this column refer to approved student number targets and do not assume any over-enrolment. In practice, universities do over-enroll, particularly to take in non-local students who are on top of the approved student number targets.

‡ Including senior year undergraduate places.

Matters Requiring Special Attention in 2018–19

- 6 During 2018–19, the UGC will continue to:
- complete the Planning Exercise for the 2019/20 to 2021/22 triennium;
 - take measures to encourage the UGC-funded universities to enhance teaching quality;
 - conduct, via the QAC, the quality audits on the UGC-funded universities;
 - implement the competitive allocation of research funding as agreed with the UGC-funded universities and the local self-financing degree-awarding institutions, conduct the Review of the RGC, plan to implement the Research Assessment Exercise 2020 in consultation with the UGC-funded universities and implement the new studentships scheme for local students enrolled in UGC-funded research postgraduate programmes;
 - engage and stimulate universities to strengthen their endeavours and share good practices on knowledge transfer;
 - monitor the implementation of the recommendations in the Governance Report to help ensure good institutional governance of the UGC-funded universities;
 - work with the UGC-funded universities to help ensure their continuing good financial governance and sound financial planning;
 - take measures to encourage the UGC-funded universities to strengthen their pursuit of the initiatives of internationalisation and engagement with the Mainland; and
 - follow up the proposed establishment of the Hostel Development Fund with a view to providing hostel facilities to the UGC-funded universities at a faster pace.

Head 190 — UNIVERSITY GRANTS COMMITTEE

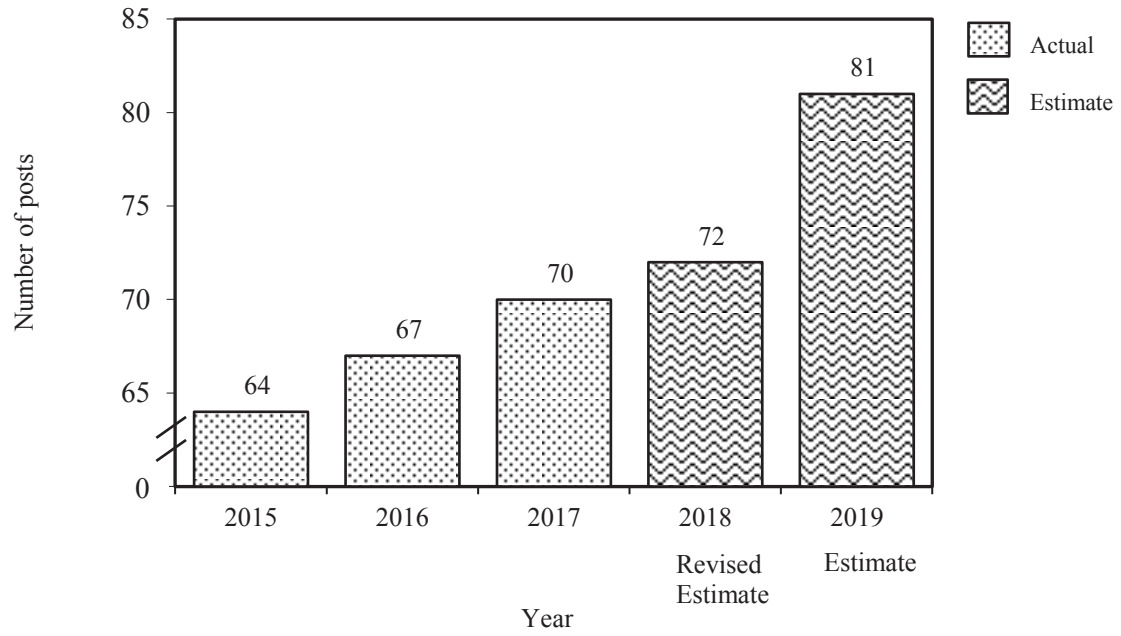
ANALYSIS OF FINANCIAL PROVISION

Programme	2016-17 (Actual) (\$m)	2017-18 (Original) (\$m)	2017-18 (Revised) (\$m)	2018-19 (Estimate) (\$m)
University Grants Committee	18,610.5	18,661.7	19,002.8 (+1.8%)	22,207.1 (+16.9%)
				(or +19.0% on 2017-18 Original)

Analysis of Financial and Staffing Provision

Provision for 2018-19 is \$3,204.3 million (16.9%) higher than the revised estimate for 2017-18. This is mainly due to the further injection of \$3 billion to REF and higher recurrent grants to UGC-funded universities in 2018-19. There will be an increase of nine posts in the UGC Secretariat in 2018-19.

*Changes in the size of the establishment
(as at 31 March)*



Head 190 — UNIVERSITY GRANTS COMMITTEE

Sub-head (Code)	Actual expenditure 2016-17	Approved estimate 2017-18	Revised estimate 2017-18	Estimate 2018-19	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	18,610,482	18,661,695	19,002,755	19,137,113
	Total, Recurrent.....	<u>18,610,482</u>	<u>18,661,695</u>	<u>19,002,755</u>	<u>19,137,113</u>
Non-Recurrent					
700	General non-recurrent	—	—	—	3,070,000
	Total, Non-Recurrent.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,070,000</u>
	Total, Operating Account	18,610,482	18,661,695	19,002,755	22,207,113
<hr/>					
	Total Expenditure	<u>18,610,482</u>	<u>18,661,695</u>	<u>19,002,755</u>	<u>22,207,113</u>

Head 190 — UNIVERSITY GRANTS COMMITTEE

Details of Expenditure by Subhead

The estimate of the amount required in 2018–19 for the salaries and expenses of the University Grants Committee (UGC)-funded universities and the UGC Secretariat is \$22,207,113,000. This represents an increase of \$3,204,358,000 over the revised estimate for 2017–18 and \$3,596,631,000 over the actual expenditure in 2016–17.

Operating Account

Recurrent

2 Provision of \$19,137,113,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the UGC Secretariat and the payment of recurrent grants to the UGC-funded universities.

3 The establishment as at 31 March 2018 will be 72 permanent posts. It is expected that there will be an increase of nine posts in 2018–19. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2018–19, but the notional annual mid-point salary value of all such posts must not exceed \$48,272,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2016–17 (Actual) (\$'000)	2017–18 (Original) (\$'000)	2017–18 (Revised) (\$'000)	2018–19 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	44,831	50,152	47,288	54,700
- Allowances.....	815	960	1,243	1,297
- Job-related allowances.....	—	1	1	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	115	93	130	97
- Civil Service Provident Fund contribution.....	1,768	2,535	1,918	2,997
Departmental Expenses				
- General departmental expenses	40,350	52,054	47,054	63,405
Other Charges				
- Honoraria for overseas members	11,313	14,281	13,024	15,257
- Meeting expenses of UGC, Research Grants Council and Quality Assurance Council.....	15,793	29,024	20,506	34,553
Subventions				
- Grants to UGC-funded universities	18,126,374	18,138,223	18,503,591	18,587,580
- Refund of Rates and Government Rent - UGC-funded universities	312,985	319,772	313,400	323,126
- Home Financing Scheme	1,312	500	500	—
- Housing-related expenses other than Home Financing Scheme	54,826	54,100	54,100	54,100
	18,610,482	18,661,695	19,002,755	19,137,113

Head 190 — UNIVERSITY GRANTS COMMITTEE

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2017	Revised estimated expenditure for 2017–18	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	802	Injection into the Research Endowment Fund	3,000,000	—	—	3,000,000
	932	Provision of non-means-tested studentships for local students enrolled in University Grants Committee-funded research postgraduate programmes [□]	70,000 [□]	—	—	70,000
		Total	<u>3,070,000</u>	<u>—</u>	<u>—</u>	<u>3,070,000</u>

□ This is a new item, funding for which is sought in the context of the Appropriation Bill 2018.