

**For discussion on
1 December 2017**

Legislative Council Panel on Education

**Hostel Development Fund for the
University Grants Committee-funded Sector**

PURPOSE

This paper briefs Members on the Government's proposal to set up a Hostel Development Fund (HDF) as a one-off measure to provide funding for the University Grants Committee (UGC)-funded universities to construct student hostels, so as to fully address their hostel shortfall in accordance with existing hostel policy.

BACKGROUND AND JUSTIFICATION

Prevailing Hostel Policy

2. Student hostel life is an essential part of higher education. Besides, it is the Government's policy to develop Hong Kong as a regional education hub to attract non-local talents to study in Hong Kong and, through this process, further internationalise our higher education sector and broaden the horizon of local students.

3. Under the prevailing policy, the Government will fund up to 75% of the capital cost of UGC-funded university publicly-funded student hostel places calculated in accordance with the following criteria, subject to availability of land and resources –

- (a) all undergraduate students should be given the opportunity of staying in student hostel for at least one year of their programme; and
- (b) all research postgraduates, non-local students as well as undergraduate students whose daily travelling time to and from home and the university exceeds four hours should be provided with student hostel places.

The remaining 25% will be met by the university concerned using the university's own sources of private funding. In addition to the above-mentioned standard hostel provision, the Government decided in 2006 to provide an additional 1 840 publicly-funded student hostel places to the UGC-funded sector to support universities' growing student exchange activities.

4. The above criteria are not applicable to the Lingnan University (LU) and the Education University of Hong Kong (EdUHK). LU has been provided with hostel places for 50% of its full-time degree student population having regard to its remote location in Tuen Mun and its aspirations to develop itself into a relatively small, fully residential liberal arts institution. EdUHK was provided with hostel places for 50% of its full-time degree student population projected at the time of establishment of the Hong Kong Institute of Education (subsequently retitled as "EdUHK" in 2016) having regard to the potential benefits that hostel life would bring to the quality of pre-service

teacher education. At present, LU and EdUHK respectively provide hostel places to about 97% and 56% of their students.

Current Situation

5. Over the years, due to land and resources constraints as well as competing priorities, the number of publicly-funded student hostel places has fallen short of that which the UGC-funded universities should have had according to the student hostel policy. As set out at **Annex A**, the total projected shortfall of student hostel places¹ in the UGC-funded sector will be around 13 600 by the 2018/19 academic year, which represents about 31% of the projected requirement according to the prevailing policy.

6. The chronic shortfall of publicly-funded hostel places has been a matter of serious concern among stakeholders. In fact, the shortfall has limited the number of local students having an opportunity to benefit from hostel life. It has also seriously restrained universities' internationalisation efforts. Universities are not only unable to recruit more overseas students or accept more incoming exchange students because of the shortage of hostel places for these students. They are also unable to send out more students for outbound exchange under a reciprocal arrangement.

7. Under the prevailing arrangement where each and every university hostel project has to go through competition for resources within the Government before being submitted to the Legislative Council (LegCo) Public Works Sub-committee and Finance Committee (FC) for funding approval, it would take considerable time for a hostel development project to materialise.

¹ On the assumption of full use of the 20% non-local students quota for undergraduates and taught postgraduates.

Student hostel projects are by nature different from other government-funded capital works projects. The former are not fully-funded by the Government. The universities have to bear at least 25% of the construction cost. In most of the cases, universities have to enlist donations for the part of the construction cost they have to bear. They can only start such efforts after they have certainty of Government funding which is after FC has approved the funding at present. This also contributes to the considerable time taken for a hostel development project to materialise.

THE PROPOSAL

8. We see a strong case to expedite student hostel development to address the shortfall, as well as to put precious earmarked land resources into meaningful use as soon as possible, while at the same time not compromising the monitoring role of the Government. Student hostel projects are by nature different from other government-funded capital works projects. Apart from the fact that the former are not fully-funded by the Government, there is also no additional recurrent implication on the Government.

9. We therefore consider it desirable to adopt a different approach to shorten the time needed for hostel development projects to materialise. Against this background, we propose the establishment of HDF as a one-off measure to provide funding for the UGC-funded universities to construct student hostels, so as to address their hostel shortfall once and for all.

Major Features of HDF

10. HDF is a brand new approach to address the student hostel shortage problem. The whole mechanism is different from the conventional approach in which each and every hostel project, after completion of detailed design and having gone through the concerned government departments' vetting, has to go through internal competition for resources before being submitted to the LegCo FC for funding approval. The major features of the HDF are set out below –

- (a) funding is sought from the LegCo FC for the setting up of the HDF, instead of individual hostel project;
- (b) to apply for funding under the HDF, the universities concerned are requested to submit to the Government Master Hostel Development Plans (MHD Plans) which set out proposals to meet their demand for hostel places in accordance with the existing hostel policy. The MHD Plans should include the broad planning parameters, the layout and schematic design of the hostel projects; the hostel places to be provided and the construction timetable;
- (c) funding to be provided for each hostel project will be calculated according to a simple formula, i.e. multiplying the number of student hostel places by a unit subsidy rate. We will make reference to the construction cost (with price adjustment) of past hostel development projects to determine the unit subsidy rate. A “standard unit subsidy rate” will apply under normal circumstances while an “enhanced unit subsidy rate” will apply to difficult sites

with development constraints (e.g. steep topography or complicated geological condition). In the case of enhanced unit subsidy rate, universities are required to submit detailed justifications certified by professionals in the relevant fields;

- (d) a lump-sum grant calculated on the basis of (c) above will be provided to the universities upfront before the universities proceed with detailed design work. Subsequent vetting of the detailed design by government departments is not necessary. The universities should keep the amount in a separate account and the money of which could only be used for funding the hostel project in question. If they see fit, universities may use the funds for investment so as to generate interest to cover potential increase in construction cost due to inflation ;
- (e) the Government will only fund up to 75% of the capital cost of the project as per established practice. In case the final fundable cost of a hostel project is lower than the amount of funding received from the HDF, the university concerned will have to return the residual funds to the Government; and
- (f) the universities will need to meet their student hostel shortfall utilising the one-off grant without any additional subsidy from the Government by an agreed completion date.

Vetting Mechanism

11. In consultation with UGC, the Education Bureau will take into consideration a basket of factors including the following before approving grants to UGC-funded universities concerned –

- (a) shortfall in hostel places in the respective universities;
- (b) MHD plans of universities with parameters of each proposed hostel project and its timeline; and
- (c) comments from Architectural Services Department on the MHD Plans (in particular applications for enhanced unit subsidy rate, if any).

Merits of HDF

12. With the establishment of the proposed HDF, we expect that the projected shortfall of around 13 600 student hostel places could be met within ten years. Not only is the funding approval procedure in itself shortened, the HDF also provides certainty on the availability of funding from the Government. Such certainty would facilitate the universities, which are required to bear at least 25% of the construction cost of student hostel projects, to enlist donations from the community early. In essence, greater trust and confidence is placed in universities' abilities to complete the hostel projects smoothly. By this new approach, the Government and LegCo basically give approval-in-principle for public funds to be disbursed to universities for student hostel projects in accordance with the prevailing policy and leave the detailed design in the hands

of the universities, who are highly experienced in delivering student hostel projects. This brings about the added advantage of allowing greater flexibility for our universities to exercise creativity in architectural design of the buildings.

13. We do not envisage any need to construct additional student hostels unless there is a substantive change in student intake and/or student hostel policy.

Monitoring Mechanism

14. In line with the existing practice, universities should continue to assume full responsibility and accountability for their projects. They will need to ensure that their projects will comply with all relevant legislation and necessary approval from relevant authorities should be sought. Universities will continue to consult stakeholders, including the local community. Besides, universities concerned should deliver the pledged number of hostel places by an agreed completion date. A penalty system, including clawback of approved grant, will be put in place in case there is delay in delivering the hostel places.

15. As regards monitoring, universities concerned should submit quarterly progress report to the UGC Secretariat until project completion. Upon completion of projects, universities should prepare statements of final account, checked and certified by qualified external auditors engaged by them, to the UGC Secretariat. To ensure transparency and accountability, we will submit annual report on the progress of hostel development to the Education Panel after the introduction of HDF.

CONSULTATION WITH MAJOR STAKEHOLDERS

16. The six UGC-funded universities with student hostel shortfall have been briefed on the broad operational framework of the HDF as detailed above. They unanimously support the proposed arrangements and agree to comply with the requirements.

FINANCIAL IMPLICATIONS

17. A one-off non-recurrent funding of around \$12 billion will be needed for hostel development in UGC-funded universities. It is estimated that a total of around 15 projects will be carried out to provide around 13 600 hostel places in the six UGC-funded universities concerned. As set out at **Annex B**, sites have already been earmarked for these projects. The proposed HDF has no additional recurrent financial implications on the Government.

ADVICE SOUGHT

18. Members are invited to note the general framework of the HDF as detailed above. Subject to Members' views, the Government will liaise with the universities to work out the operational details of the proposal (including the unit subsidy rate) and call for MHD Plans with a view to seeking funding approval from FC within this legislative session.

Education Bureau

November 2017

**Projected Shortfall of Publicly-funded Student Hostel Places in the
University Grants Committee-funded sector for 2018/19 Academic Year**

University	Number of Shortfall
City University of Hong Kong	3 140
Hong Kong Baptist University	1 728
The Chinese University of Hong Kong	1 855
The Hong Kong Polytechnic University	2 955
The Hong Kong University of Science and Technology	1 514
The University of Hong Kong	2 450
Total	13 642

Note: The projected shortfall will be updated in accordance with the established policy with the latest figures collected from the universities in the first quarter of 2018.

**List of Sites Earmarked for Hostel Development of the
University Grants Committee-funded Universities**

University	Approximate Location
City University of Hong Kong	Ma On Shan (Whitehead)
	Kowloon Tong (near Tat Hong Avenue)
Hong Kong Baptist University	Kowloon Tong (Renfrew Road)
The Chinese University of Hong Kong	Three sites within campus
The Hong Kong Polytechnic University	Ho Man Tin (near Chung Hau Street)
	Kowloon Tong (near Tat Hong Avenue)
The Hong Kong University of Science and Technology	Two sites within campus
The University of Hong Kong	Sai Ying Pun (Mui Fong Street)
	Wong Chuk Hang (Police School Road)
	One site within campus

Note: Some of the earmarked sites may need to undergo statutory procedures before construction.