

LEGISLATIVE COUNCIL BRIEF

**RECURRENT FUNDING FOR THE
UNIVERSITY GRANTS COMMITTEE-FUNDED UNIVERSITIES
IN THE 2022/23 TO 2024/25 TRIENNIUM**

INTRODUCTION

At the meeting of the Executive Council on 11 January 2022, the Council ADVISED and the Chief Executive ORDERED that –

- (a) the distribution of indicative student number targets as proposed by the University Grants Committee (UGC) and set out at **Annex A** should be endorsed; and
- (b) the UGC’s specific recurrent funding recommendations at a total cost of \$63,211.3 million in the 2022/23 to 2024/25 triennium (2022-25 triennium) as set out in **Annex B** should be endorsed.

JUSTIFICATIONS

Funding for the 2022-25 triennium

2. The Government allocates recurrent grants to the eight UGC-funded universities in the form of a block grant, normally on a triennial basis, to tie in with the academic planning cycle of the UGC-funded sector. For this purpose, the UGC conducts the Planning Exercise to devise its recommendation on the Government on the funding requirements of the universities in each triennium as well as the allocation of student numbers and recurrent grants to individual universities.

3. Upon rigorous assessment of the UGC-funded universities’ Planning Exercise Proposals (PEPs), the UGC submitted in October 2021 its funding recommendations for the 2022-25 triennium to the Government. The salient points of the UGC’s submission are highlighted in the ensuing paragraphs.

Student number targets

4. The UGC's recommendations on the distribution of indicative student number targets (by university and by level) in the 2022-25 triennium are set out at **Annex A**. The key student number targets are summarised as follows –

- (a) the number of UGC-funded first-year first-degree (FYFD) intake places in full-time-equivalent (fte) terms¹ will be maintained at 15 000 per academic year;
- (b) the number of UGC-funded senior year (SY) undergraduate (Ug) intake places for articulation of holders of sub-degree (SD) qualifications will be maintained at 5 000 per academic year;
- (c) the number of UGC-funded SD intake places will be 565 per academic year;
- (d) the number of UGC-funded taught postgraduate (TPg) intake places will be 1 251, 1 247 and 1 251 in the 2022/23, 2023/24 and 2024/25 academic year respectively; and
- (e) the number of UGC-funded research postgraduate (RPg) student places² will remain at 5 595 for the time being. As announced in the 2021 Policy Address, the UGC will further relax the 70% over-enrolment limit to 100% progressively beginning from the 2022/23 academic year, and has been invited to look into the supply and demand for RPg student places and examine the feasibility of increasing the number of such places.

5. It is the Government's policy to provide secondary school graduates with flexible and diversified articulation pathways with multiple entry and exit points through promoting the quality and sustainable development of the publicly-funded and self-financing post-secondary education sectors. At present, among the young people in the relevant age cohort, over 50% of have access to degree-level education and around 80% in total have access to post-secondary education. In recent years, the Government has introduced a series of measures³ to increase subsidised

¹ Student number targets in this paper are presented in fte terms unless otherwise specified.

² This represents the total number of RPg student places irrespective of years of study.

³ These include –

- (a) introducing the Study Subsidy Scheme for Designated Professions / Sectors (SSSDP) to provide around 1 000 students per cohort with subsidy for pursuing self-financing

post-secondary education opportunities for secondary school graduates. As a result of these initiatives, most if not all secondary school graduates meeting minimum entrance requirements are now able to receive university education through different forms of government subsidies for admission into local (UGC-funded or self-financing) and Mainland FYFD programmes.

6. In view of the ample supply of UG places by the self-financing post-secondary sector to complement the UGC-funded sector as a result of the Government's initiative above, and coupled with the decreasing trend in the number of secondary school graduates, the Government decided to maintain the number of UGC-funded FYFD places at 15 000 per academic year for the 2022-25 triennium.

7. In the course of the Planning Exercise, advice of Bureaux / Departments (B/Ds) was sought on key trends in the sectors under their purview with a view to facilitating the UGC-funded universities' planning of relevant programmes in nurturing talents to cater for the latest socio-economic needs of Hong Kong. Taking into account the manpower needs of the health services sector, UGC-funded FYFD intake places for certain healthcare-related disciplines will increase, while those for the teacher education-related disciplines will decrease in view of the anticipated declining demand for teachers in the coming years. In addition, the UGC-funded universities have also responded positively to the suggestion of introducing future-focused STEM-related or transdisciplinary new programmes and blend in elements of technology to their existing programmes with a view to nurturing talents for Hong Kong's new growth areas.

UG programmes in selected disciplines to meet Hong Kong's manpower needs. SSSDP has been regularised in 2018/19, with the subsidised quota increased to about 3 000 per cohort;

- (b) increasing the number of UGC-funded SY UG intake places to 5 000, starting from 2018/19;
- (c) implementing the Non-means-tested Subsidy Scheme for Self-financing Undergraduate Studies in Hong Kong and the Mainland, covering students enrolled in local self-financing undergraduate programmes, self-financing top-up degree programmes and designated Mainland undergraduate programmes, since 2017/18;
- (d) introducing the Mainland University Study Subsidy Scheme so that needy students pursuing studies in designated Mainland institutions may receive means-tested grant during their study period; and
- (e) implementing the Hong Kong Scholarship for Excellence Scheme since 2015/16 to support up to 100 outstanding students per cohort to study in renowned universities outside Hong Kong in order to nurture a diversified pool of top talents to propel Hong Kong's development.

Funding

8. In line with the established practice, the Cash Limit for the UGC-funded sector is calculated based on the indicative student number targets as set out in paragraph 4 above and the student unit costs as weighed by the relative cost of different levels of study, with adjustments to price and pay levels as necessary. The Cash Limit for the entire UGC-funded sector for the 2022-25 triennium is **\$63,211.3 million** (representing an increase of 4.5% as compared with \$60,467.1 million in the 2019-22 triennium).

9. The grant for the 2022-25 triennium seeks to maintain the funding level while reflecting, among other things –

- (a) necessary price and pay adjustments;
- (b) changes in student numbers;
- (c) top-up funding for additional UGC-funded FYFD places in healthcare disciplines (where the unit cost is higher and duration of study of some of these programmes is longer);
- (d) changes in student unit costs as weighed by the relative cost of different levels of study; and
- (e) changes in assumed income of universities.

10. The indicative tuition fee level of UGC-funded programmes was examined during the course of the Planning Exercise in line with the established practice. It was revealed that our current tuition fee level does not stand out as particularly high or low when compared with other major jurisdictions outside Hong Kong, according to a consultancy study conducted earlier. Taking into account the above and the Government's commitment to providing our secondary school graduates with subsidised higher education opportunities, the indicative tuition fee level of UGC-funded programmes (i.e. \$42,100 per student per year for UGC-funded programmes at degree level⁴), will remain unchanged for the 2022-25 triennium.

⁴ The indicative tuition fee for UGC-funded programmes at sub-degree level is pegged to 75% of that at degree level, except for those offered by The Education University of Hong Kong, the bulk of which are currently charged at \$15,040 per academic year.

11. The UGC will allocate the Cash Limit among the eight universities in accordance with its methodology for determining the levels of recurrent grants to the individual universities. The methodology, as detailed at **Annex C**, assesses the resources required to meet the teaching and research requirements of each university. Based on this methodology, the UGC's plan for allocation of resources among the eight UGC-funded universities in the 2022-25 triennium is at **Annex B**.

OTHER RELATED ISSUES

Strategic directions for the 2022-25 triennium

12. At the outset of the Planning Exercise, the UGC-funded universities have been advised to take into account the following strategic directions when taking forward the Planning Exercise –

- (a) Universities should think boldly and strategically in mapping out the strategies in a longer planning cycle, taking into account the opportunities presented by the Guangdong-Hong Kong-Macao Greater Bay Area Development;
- (b) The opportunity should be taken for the universities to consider some form of consolidation of certain programmes at institution level to enhance synergy and efficient use of resources;
- (c) As graduates are the future pillars of our society, it is pivotal that a strong sense of civic duty could be instilled into them through value education at university level. The education on the Constitution, the Basic Law and the National Security Law should also form part and parcel of students' university studies to nurture them as law-abiding responsible citizens; and
- (d) The basic research capability among the UGC-funded universities is a forte that should be maintained and further strengthened. At the same time, the knowledge transfer from basic to applied research with the creation of social impact should also be encouraged.

13. The UGC-funded universities responded positively to these directions and deliberated their PEPs accordingly, which formed the basis of the UGC's recommendations.

Phasing out of SD programmes

14. The 2022-25 triennium will see the final phase of withdrawing the UGC-funded SD programmes with the termination of SD programmes run by City University of Hong Kong and The Hong Kong Polytechnic University in construction and building service disciplines, involving altogether 1 029 SD intake places. From the 2022/23 academic year onwards, the Vocational Training Council will take over such roles and continue to offer programmes in these disciplines and train new blood for the sectors concerned. Accordingly, the two universities will cease admitting new students to the SD programmes in 2022/23 while the last cohort (2021/22 intake) is expected to graduate by mid-2023.

IMPLICATIONS OF THE PROPOSAL

15. The proposal has financial, economic and sustainability implications as set out at **Annex D**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no significant civil service, family, environmental or gender implications.

PUBLIC CONSULTATION

16. The recommendation is based on the PEPs submitted by universities and recommended by the UGC. The UGC briefed the universities on the recommended allocation of student places and conducted individual sessions with the universities in June / July 2021 to gauge their feedback. They were receptive to the recommended allocation and considered the data-driven allocation mechanism fair and transparent.

PUBLICITY

17. We will brief the Legislative Council Panel on Education at its meeting to be held in February 2022.

ENQUIRIES

18. Enquiries on this brief can be directed to Mr Derek Lai, Principal Assistant Secretary for Education, at 3509 8501.

Education Bureau
January 2022

Indicative Student Number Targets in Full-time-Equivalent (fte) Terms for the 2022-25 Triennium

(student places)

University	Undergraduate (Ug) Student Places (including both First-Year-First-Degree (FYFD) and Ug Senior Year (SY) places)		
	2022/23	2023/24	2024/25
CityU	10 642	10 144	10 141
HKBU	6 113	6 228	6 202
LU	2 399	2 454	2 444
CUHK	14 724	14 796	14 825
EdUHK	4 502	4 753	4 737
PolyU	13 140	13 194	13 223
HKUST	8 476	8 514	8 545
HKU	13 826	13 901	13 964
Total	73 823	73 985	74 082

(intake places)

University	FYFD Intake Places			
	2022/23	2023/24	2024/25	Total
CityU	2 062	2 062	2 062	6 186
HKBU	1 112	1 122	1 122	3 356
LU	511	511	511	1 533
CUHK	3 256	3 256	3 256	9 768
EdUHK	603	593	593	1 789
PolyU	2 351	2 351	2 351	7 053
HKUST	2 065	2 065	2 065	6 195
HKU	3 040	3 040	3 040	9 120
Total	15 000	15 000	15 000	45 000

(intake places)

University	Ug SY Intake Places			
	2022/23	2023/24	2024/25	Total
CityU	900	900	900	2 700
HKBU	790	790	790	2 370
LU	195	195	195	585
CUHK	423	423	423	1 269
EdUHK	424	424	424	1 272
PolyU	1 750	1 750	1 750	5 250
HKUST	158	158	158	474
HKU	360	360	360	1 080
Total	5 000	5 000	5 000	15 000

(student places)

University	Sub-Degree (SD) Student Places		
	2022/23	2023/24	2024/25
CityU	127	-	-
HKBU	-	-	-
LU	-	-	-
CUHK	-	-	-
EdUHK	910	895	895
PolyU	599	-	-
HKUST	-	-	-
HKU	-	-	-
Total	1 636	895	895

(intake places)

University	SD Intake Places			
	2022/23	2023/24	2024/25	Total
CityU	-	-	-	-
HKBU	-	-	-	-
LU	-	-	-	-
CUHK	-	-	-	-
EdUHK	565	565	565	1 695
PolyU	-	-	-	-
HKUST	-	-	-	-
HKU	-	-	-	-
Total	565	565	565	1 695

(student places)

University	Taught Postgraduate (TPg) Student Places		
	2022/23	2023/24	2024/25
CityU	53	53	53
HKBU	109	105	105
LU	-	-	-
CUHK	596	592	592
EdUHK	324	328	328
PolyU	-	-	-
HKUST	-	-	-
HKU	782	772	762
Total	1 864	1 850	1 840

(intake places)

University	TPg Intake Places			
	2022/23	2023/24	2024/25	Total
CityU	53	53	53	159
HKBU	63	63	63	188
LU	-	-	-	-
CUHK	387	417	387	1 191
EdUHK	235	235	235	704
PolyU	-	-	-	-
HKUST	-	-	-	-
HKU	514	480	514	1507
Total	1 251	1 247	1 251	3 748

(student places)

University	Research Postgraduate (RPg) Student Places		
	2022/23	2023/24	2024/25
CityU	561	98	54
HKBU	206	22	10
LU	57	9	3
CUHK	1 375	240	178
EdUHK	69	6	2
PolyU	577	87	54
HKUST	1 012	190	119
HKU	1 438	248	180
RPg Places to be allocated (Note 1)	300	4 695	4 995
Total	5 595	5 595	5 595

(student places)

University	Total Student Places		
	2022/23	2023/24	2024/25
CityU	11 383	10 295	10 248
HKBU	6 428	6 355	6 317
LU	2 456	2 463	2 447
CUHK	16 695	15 628	15 595
EdUHK	5 806	5 983	5 962
PolyU	14 316	13 281	13 277
HKUST	9 488	8 704	8 664
HKU	16 045	14 921	14 906
RPg Places to be allocated (Note 1)	300	4 695	4 995
Total	82 917	82 325	82 412

Notes:

1. Of the total 5 595 RPg student places for each year of the 2022-25 triennium, these places are tentatively allocated as a result of the introduction of competitive elements for allocating RPg places.
2. '-' denotes nil.
3. Figures may not add up to the corresponding totals owing to rounding.

**Allocation of Recurrent Funding for the
University Grants Committee-funded Universities
in the 2022-25 Triennium**

	Academic year (July to June)			Total
	2022/23	2023/24	2024/25	
	(\$m)	(\$m)	(\$m)	(\$m)
Recurrent grants allocated in the form of a Block Grant #				
City University of Hong Kong	2,538.9	2,449.7	2,455.5	7,444.1
Hong Kong Baptist University	1,289.3	1,310.9	1,326.9	3,927.1
Lingnan University	480.0	490.6	488.8	1,459.4
The Chinese University of Hong Kong	4,567.8	4,603.9	4,631.8	13,803.4
The Education University of Hong Kong	989.9	1,024.5	1,055.7	3,070.1
The Hong Kong Polytechnic University	3,398.6	3,325.0	3,322.1	10,045.8
The Hong Kong University of Science and Technology	2,503.4	2,497.8	2,509.3	7,510.5
The University of Hong Kong	4,850.1	4,892.7	4,939.4	14,682.2
<u>Sub-total of Recurrent Grants</u>	<u>20,618.0</u>	<u>20,595.1</u>	<u>20,729.6</u>	<u>61,942.7</u>
Recurrent grants to be allocated in the 2022-25 triennium in the form of earmarked grants and funding ^	422.9	422.9	422.9	1,268.6
<u>Total Recurrent Grants</u>	<u>21,040.9</u>	<u>21,018.0</u>	<u>21,152.4</u>	<u>63,211.3</u>

Figures are indicative, which may increase or decrease slightly when actual competition results on the allocation of research postgraduate student places and Research Grants Council projects are available.

^ These include funding to be allocated for Areas of Excellence Scheme, Earmarked Research Grants, knowledge transfer and other centrally held provisions.

* The above numbers may not add up due to rounding.

**Methodology for Determining the Levels of Recurrent Grants
for the University Grants Committee (UGC)-funded Universities**

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

Block Grant

2. The New Academic Structure (NAS) has been implemented in the UGC-funded sector since the 2012/13 academic year (AY). Thus, there has been new recurrent funding for the additional year under the NAS (“new pot of money”) in addition to the funding (“existing pot of money”) for the three years of undergraduate study and other levels of study. In this regard, for the purpose of determining the block grant allocation to universities, a “two pots of money” approach / funding methodology has been applied since the 2012-15 triennium, as detailed below.

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

3. Under the “existing pot of money”, the amount of block grant to the UGC-funded sector as a whole comprises three elements –

- (a) Teaching Portion (T-portion) – about 75% (which does not cover the funding for the first year of undergraduate (Ug) study);
- (b) Research Portion (R-portion) – about 23%; and
- (c) Professional Activity Portion (PA-portion) – about 2%.

“New pot of money” for the additional year under the NAS

4. An additional sum of recurrent funding, i.e. the “new pot of money”, is also provided to UGC-funded universities under the block grant for the first year of Ug study under the NAS, calculated as 62.5% of the other years of studies at Ug level. This is in addition to the “existing pot of money” for the second year of Ug study and beyond as well as other levels of study. The “new pot of money” is entirely provided for teaching purposes, i.e. 100% to the T-portion.

Block Grant as the consolidated pot

5. In the actual disbursement of funding, both “existing pot” and “new pot” are consolidated and disbursed as a single lump sum block grant to each university. When both pots are taken together as a single pot, the respective share the three elements are as follows for the 2022-25 triennium –

- (a) T-portion – about 78%
- (b) R-portion – about 20%
- (c) PA-portion – about 2%

It should be noted that the above-mentioned methodology only serves as a basis for determining the levels of recurrent grants for the UGC-funded universities. Once allocations are approved, universities have autonomy in and responsibility for determining the best use of the resources vested in them.

T-portion

6. The bulk of the block grant is allocated for teaching, which is an indispensable duty and mission of all universities. The T-portion is determined on the basis of the number of student places, their study levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate), modes of study (i.e. part-time and full-time) and disciplines of study. Some subjects are more expensive to teach than others because of special equipment or laboratory needs, or because they are more staff time intensive, etc. Relative cost weightings by broad academic programme category are grouped into three price groups, as shown in the table below –

Academic Programme Category (APC)	Price Group of APCs	Relative Cost Weighting	
		Teaching ⁽¹⁾ Programme	Research ⁽²⁾ Programme
1. Medicine 2. Dentistry	A Medicine & Dentistry	3.6 ⁽³⁾	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	C Others	1.0	1.0
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			

Notes:

- (1) Includes sub-degree, undergraduate and taught postgraduate programmes.
- (2) Includes research postgraduate programmes.
- (3) The relative cost weighting of 3.6 applies only to the second year of studies and beyond. For the first year of study under the NAS, a relative cost weighting of 1.4 is applied instead.

7. A key driver underpinning the allocation of the T-portion is the number of student places allocated to individual universities. This is determined through the Planning Exercise which involves rigorous assessment of the Planning Exercise Proposals (PEPs) submitted by each UGC-funded university. With the introduction of the University Accountability Agreement (UAA) since the 2019-22 triennium, the UGC adopted a data-driven and systematic assessment methodology with a three-stage approach for the Competitive Allocation Mechanism, comprising (i) a quantitative analysis of performance indicators of the universities (40%); (ii) a hybrid (quantitative and qualitative) assessment of the PEPs and proposed new academic programmes (30%); and (iii) individual focus group meetings with the senior management teams of the universities (30%). The assessment was undertaken by the Sub-Group of Planning Exercise of the UGC which comprised overseas academics and local lay members with no conflicts of interest to ensure objectivity and impartiality of the process.

R-portion

8. The R-portion is disbursed to the universities as infrastructure funding to enable universities 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. To promote research excellence, the UGC has been gradually allocating the R-portion to its funded universities on a more competitive basis according to their successfulness in obtaining designated Research Grants Council (RGC) grants. At present, the competitive part of the R-portion stands at 26%, with the remaining 74% allocated with regard to the universities' performance in the Research Assessment Exercise (RAE). The following changing ratio between the results of the RAE 2020 (RAE component) and two-year average of universities' successfulness in obtaining designated RGC grants (RGC component) will be adopted for the R-portion funding allocation–

AY	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
RAE:RGC ratio	85:15	85:15	80:20	80:20	75:25	75:25

PA-portion

9. This element of funding is intended to fund professional activities not covered by the T-portion and R-portion, and is calculated based on the number of academic staff with reference to the average staff-to-student ratio in the past five AYs and the weighted student number targets over the triennium.

Funds Provided for Specified Purposes

10. The UGC is aware that its formula-based funding model cannot address all the various needs of the universities. The UGC will therefore make provision for the following specific requirements for the 2022/23 to 2024/25 triennium (2022-25 triennium) –

(a) Earmarked Research Grants (ERG)

The ERG is distributed by the RGC to support research projects and research activities of the eight UGC-funded universities. The ERG is funded by the investment income of the Research Endowment Fund. To keep the amount of funding of the ERG up to the current price level, an amount of \$41.0 million will be deployed within the Cash Limit for ERG for each of the AYs in the 2022-25 triennium.

- (b) Teaching Development and Language Enhancement Grant (TDLEG)
The UGC attaches great importance to teaching and learning. A sum of \$819.8 million will be provided for the TDLEG in the 2022-25 triennium.
- (c) Knowledge Transfer
To support expansion of institutional capacity and to broaden universities' endeavours in knowledge transfer, the UGC will continue to reserve a sum of \$71.9 million (including the inflation adjustment) for universities for each of the AYs in the 2022-25 triennium.
- (d) Central Allocation Vote (CAV)
Similar to the current triennium funding arrangement, the UGC will set aside about 1.0% of the Cash Limit (i.e. \$630 million in the 2022/25 triennium) centrally to support new initiatives during the triennium, in addition to setting aside an average annual funding of \$100 million for the Areas of Excellence projects. A Special Grant to Enhance the Support for Students with Special Educational Needs (SEN) was launched since 2015 to assist SEN students and enhance the capacity of the UGC-funded universities in addressing their learning needs. The UGC will reserve \$67.5 million under the CAV for continuation of the Special Grant in the 2022-25 triennium. The UGC will also explore utilising the CAV funding more strategically to facilitate universities' active participation in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), such as suitably increasing funding to enable university students to set their sights on opportunities in the Mainland cities of GBA.
- (e) Extra-Formulaic Adjustments (EFAs)
The UGC will also fund a number of EFAs for the 2022-25 triennium to accommodate special circumstances on exceptional basis, including a one-off EFA of \$59.6 million to help the universities in meeting the necessary staff redundancy payments as a result of the reduction in the manpower-planned places of the teacher education discipline and the phasing out of UGC-funded sub-degree programmes.

Implications of the proposal

Financial implications

The overall funding requirement for the University Grants Committee (UGC)-funded sector is worked out on the basis of an established framework, which takes into account the changes in pay / price levels and student numbers from the previous funding period. The estimated total cost, in terms of financial year, for implementing the UGC's recurrent funding recommendations for the 2022-25 triennium (i.e. the Cash Limit) will be **\$63.2 billion (or \$21.1 billion each year on average)** –

<u>Financial Year</u> (April to March)	<u>\$ million</u>
2022 – 23	15,780.7
2023 – 24	21,023.7
2024 – 25	21,118.8
2025 – 26	5,288.1

The average annual recurrent funding for this triennium represents a growth of \$0.9 billion (or 4.5%) when compared with the average annual recurrent funding of \$20.2 billion in the 2019-22 triennium. The Government will earmark sufficient funding for the Cash Limit in the Estimates of the respective years.

Economic implications

2. The proposed recurrent funding to UGC-funded universities for the 2022-25 triennium will help sustain the development of higher education in Hong Kong especially in regard to maintaining the quality of teaching and research, which should in turn be conducive to strengthening Hong Kong's human capital for meeting the needs of future economic development.

Sustainability implications

3. The recurrent funding proposals are in line with the sustainability principle of enabling individuals to fulfil their potential by providing access to adequate and appropriate education.