

## **LEGISLATIVE COUNCIL BRIEF**

### **RECURRENT FUNDING FOR UNIVERSITY GRANTS COMMITTEE-FUNDED INSTITUTIONS IN THE 2015/16 ROLL-OVER YEAR**

#### **INTRODUCTION**

At the meeting of the Executive Council on 9 December 2014, the Council ADVISED and the Chief Executive ORDERED that –

- (a) regarding the 2015/16 roll-over year<sup>1</sup> –
  - (i) the distribution of indicative student number targets as proposed by the University Grants Committee (UGC) and set out at **Annex A** should be approved; and
  - (ii) the UGC's specific recurrent funding recommendations at a total cost of \$17,105.9 million should be endorsed; and
- (b) starting from 2016/17, all new non-local students in undergraduate (Ug), sub-degree (SD) and taught postgraduate (TPg) programmes should be admitted through over-enrolment outside the approved UGC-funded student number targets, capped at a level equivalent to 20% of the approved UGC-funded student number targets for these programmes, by study level.

#### **JUSTIFICATIONS**

##### **Recurrent funding for UGC-funded institutions in the 2015/16 roll-over year**

2. The Government allocates recurrent grants to the eight UGC-funded institutions in the form of a block grant, usually on a triennial basis, to tie in with the academic planning cycle of the UGC-funded sector. Whilst the current triennium should cover 2012/13 to 2014/15, the Government had received a unanimous request from the UGC and its funded institutions, recommending that the current triennium be rolled over to cover 2015/16 in order to allow the sector more time to review and reflect on the full impact of the implementation of the New Academic Structure (NAS), before embarking on the next full-scale triennial planning cycle.

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<sup>1</sup> References to years in this brief refer to academic years unless otherwise specified.

3. Having considered the above, the Government has decided that the **2012/13 to 2014/15 triennium should be rolled over to cover 2015/16**. The roll-over arrangement is meant to be a simple extension of the approved financial arrangements for the 2012/13 to 2014/15 triennium, and institutions should broadly adopt the student number targets at the 2014/15 level for 2015/16, save for necessary adjustments, e.g. a progressive increase in UGC-funded senior year undergraduate intake places as announced in the 2014 Policy Address.

4. The UGC has now submitted to the Government the funding recommendations for the recurrent grants for the eight institutions in 2015/16.

### *Student number targets*

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

- (a) the number of UGC-funded first-year first-degree (FYFD) places in full-time-equivalent (fte) terms<sup>2</sup> will be maintained at 15 000 per annum;
- (b) as announced in the 2014 Policy Address, the number of UGC-funded senior year Ug intake places will progressively increase by 1 000 places from 2015/16 and the triennium that follows. The additional intake places will provide meritorious SD graduates with more opportunities for articulation to the last two years of a publicly-funded Ug programme. The initiative will also help foster a flexible, diversified and multiple-entry multiple-exit education framework with greater inter-flow between the self-financing and publicly-funded sectors, and between the sub-degree and degree sectors. As a modest start in 2015/16, the number of UGC-funded senior year Ug intake places will increase by 265 to 4 265;
- (c) the number of UGC-funded SD places across different years of study will decrease by 453 to 3 868 (or 2 061 intake places), as a result of the continued phasing-out of SD programmes not meeting the established retention criteria for public funding in accordance with the agreed schedule<sup>3</sup>;
- (d) the number of UGC-funded TPg places will remain at 2 193 across different years of study (or 1 412 intake places); and
- (e) the number of UGC-funded RPg places will remain at 5 595.

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<sup>2</sup> Student number targets in this brief are presented in fte terms unless otherwise specified.

<sup>3</sup> As a matter of policy, SD programmes in the UGC-funded sector should generally be run on a self-financing basis. SD programmes 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 are regarded as 'endangered species'.

6. All along, the Government has been striving to provide secondary school leavers 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. Through the development of both sectors, about 38% of our young people in the relevant cohort now have access to degree-level education. Including sub-degree places, nearly 70% of them have access to post-secondary education. Looking ahead, we expect a continuous drop in the population of the relevant age cohort proceeding to post-secondary education in the coming decade. The number of local secondary school graduates will drop significantly, from about 62 000 in 2014 to 42 700 in 2022. In his 2014 Policy Address, the CE has announced a series of measures<sup>4</sup> to further increase subsidised higher education opportunities, in a bid to provide school leavers with broader and more diversified articulation pathways. On full implementation of these measures, and given the declining student population, we envisage that there will be sufficient publicly-funded and self-financing FYFD places for all secondary school leavers meeting minimum entrance requirements for university admission by 2016/17, assuming the performance of secondary school graduates is maintained at comparable level<sup>5</sup>.

### ***Funding***

7. The recommended Cash Limit for the entire UGC-funded sector for 2015/16 is **\$17,105.9 million**<sup>6</sup>, representing an increase of 6.3% as compared with \$16,086.9 million<sup>6</sup> for 2014/15. The Cash Limit reflects additional funding for the progressive

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<sup>4</sup> These include:

- (a) increasing UGC-funded senior year UG intake places (see paragraph 5(b) above);
- (b) introducing the Study Subsidy Scheme for Designated Professions/Sectors to subsidise up to 1 000 students per cohort to pursue self-financing UG programmes in selected disciplines to meet Hong Kong's manpower needs;
- (c) introducing the Hong Kong Scholarship for Excellence Scheme to support up to 100 outstanding students per cohort to study in renowned universities outside Hong Kong to nurture a diversified pool of top talents to propel Hong Kong's development;
- (d) introducing the Mainland University Study Subsidy Scheme so that needy students pursuing studies under the Scheme for the Admission of Hong Kong Students to Mainland Higher Education Institutions may receive a means-tested grant during their study period; and
- (e) setting up a HK\$100 million scholarship fund to encourage universities and tertiary institutions to admit local students who excel in sport, arts and community service, in line with our youth policy of fostering a culture of multi-faceted excellence.

In particular, (b), (c) and (d) will operate for three cohorts of students and then be subject to a review of their effectiveness.

<sup>5</sup> For secondary school graduates applying for FYFD programmes, the minimum general entrance requirements are Level 3 or above in Chinese Language and English Language, and Level 2 or above in Mathematics (Compulsory Part) and Liberal Studies in the Hong Kong Diploma of Secondary Education (HKDSE) Examination. In 2014, out of 65 270 day school candidates entering the HKDSE Examination, 26 307 or 40.3% met the minimum general entrance requirements.

<sup>6</sup> Cash Limits for 2014/15 and 2015/16 have taken into account impact arising from the proposed 2014 civil service pay adjustment, which is pending the approval of the Finance Committee of the Legislative Council (LegCo).

increase in senior year undergraduate intake places, necessary adjustments to cater for changes in the student number targets in 2015/16, as well as necessary price adjustments in accordance with the established mechanism.

8. The 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 UGC's assessment of recurrent grants is based primarily on the distribution of indicative student number targets as mentioned in paragraph 5 above. The methodology, as detailed at **Annex B**, assesses the resources required to meet the teaching and research requirements of each institution. Based on this methodology, the UGC's plan for allocation of resources among the eight UGC-funded institutions in 2015/16 is at **Annex C**.

9. The indicative tuition fee level for local students has been maintained at the current level since 1997/98. In the spirit of the roll-over arrangement, the indicative tuition fee level for local students will continue to be maintained in 2015/16, and this has formed the basis for calculating the Cash Limit. We will take into account the experience of implementing the NAS in the 2012/13 to 2014/15 triennium before embarking on any review of the tuition fee level.

10. Institutions are allowed to deploy recurrent grants within a funding period as they see fit. In line with previous practice (e.g. in the 2004/05 and 2008/09 roll-over years), the 2015/16 roll-over year shall be regarded as an extension of the 2012/13 to 2014/15 triennium (rather than a separate funding period) for the purpose of deploying recurrent grants. Besides, following the established practice, institutions will be allowed to carry unspent funds up to 20% of their respective total recurrent grants in the current funding period (i.e. 2012/13 to 2015/16) to the next (i.e. 2016/17 to 2018/19 triennium) as general reserve.

### **Admission of all new non-local students by over-enrolment**

11. Our education hub policy aims to attract quality non-local students to study in Hong Kong and, through this process, further internationalise our higher education sector and increase the exposure of our local students. Moreover, attracting and retaining non-local talents to live and work in Hong Kong will address the immediate manpower needs of Hong Kong, and enhance the overall competitiveness of our economy in the long run.

12. Under the existing policy, UGC-funded institutions may admit non-local students, including those originating from the Mainland and overseas, to their UGC-funded SD, Ug and TPg programmes up to a level equivalent to 20% of the approved

UGC-funded student number<sup>7</sup>. This 20% comprises up to 4% within the UGC-funded number and up to 16% outside the UGC-funded number (i.e. by over-enrolment with no additional recurrent funding from the UGC) (the so called 4%-in-16%-out policy). All non-local students of these programmes pay tuition fee at a level that is at least sufficient to recover all additional direct costs. Moreover, to avoid any invidious comparison between the 4% non-local students within the UGC-funded number and those outside, institutions have to charge non-local students studying the same discipline at the same institution (whether they be within or outside the student number targets) the same tuition fee. Hence, in practice, from the students' viewpoint, they are never aware whether they are within the "4%-in" or "16%-out".

13. Over the years, institutions have been complying with the 4%-in-16%-out policy. For example, in 2013/14, out of 15 000 approved UGC-funded FYFD places, institutions have admitted 14 643 local students (97.6% of the approved number) and 2 446 non-local students (equivalent to 16.3% of the approved number). Despite the benefits associated with internationalisation, there are concerns that non-local students are taking up precious public resources at the expense of local students. In particular, the "4%-in" has been a subject of criticism by some quarters of the community, who pointed out that this would lead to displacement of local students. There are concerns as to whether all approved UGC-funded places should be fully utilised to admit local students, so as to maximise the use of public resources for the benefit of local students.

14. To address the above concerns, the Chief Executive in Council has approved the recommendation to migrate from the 4%-in-16%-out policy to a 20%-out policy, i.e. starting from 2016/17, all new non-local students in SD, Ug and TPg programmes should be admitted through over-enrolment outside the approved UGC-funded student number targets, capped at a level equivalent to 20% of the approved UGC-funded student number targets for these programmes, by study level. This should help ensure that institutions will fully utilise 100% of the approved places, including the 15 000 UGC-funded FYFD places, for the admission of local students. Besides, this policy change is expected to create a minimal impact on our efforts to attract non-local students, given that currently all non-local students already have to pay higher tuition fees anyway and they are not personally aware of the distinction between "4%-in" and "16%-out" (see paragraph 12 above). Besides, non-local students will continue to be required to pay tuition fee at a level that is at least sufficient to recover all additional direct costs only, but not the full costs. The policy change will strike a balance between the interests of local and non-local students, while ensuring that Government support to non-local students (by asking them to pay the additional direct costs only but not the full costs) does not come at the expense of local students.

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<sup>7</sup> As regards RPg programmes, with a view to boosting the research capability in Hong Kong through attracting high quality talents from around the world, UGC-funded institutions currently admit RPg students on a merit basis, taking into account the students' academic results and research capability, with no quota restriction imposed on the admission of non-local students.

15. The UGC will work out the implementation details under the new 20%-out policy in consultation with its funded institutions.

### **IMPLICATIONS OF THE PROPOSAL**

16. 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 productivity, civil service, environmental or family implications.

### **PUBLIC CONSULTATION**

17. The funding recommendations regarding the recurrent grants to the UGC-funded sector for 2015/16 are based on the UGC's proposals. The UGC will consult its funded institutions on the implementation details regarding the new policy to admit all new non-local students in SD, Ug and TPg programmes through over-enrolment.

### **PUBLICITY**

18. We will consult the LegCo Panel on Education.

### **ENQUIRIES**

19. Enquiries on this brief can be directed to Mr Wallace Lau, Principal Assistant Secretary for Education, at telephone number 3509 8501.

**Education Bureau**  
**December 2014**

## Annex A

### **Distribution of indicative student number targets in full-time-equivalent terms for the 2014/15 and 2015/16 academic years**

#### **A. Undergraduate (total numbers including senior year places)**

<b>Institution</b>	<b>2014/15</b>	<b>2015/16</b>
CityU	10 702	11 134
HKBU*	5 829	5 960
LU	2 460	2 466
CUHK	14 337	14 570
HKIEd	4 179	4 151
PolyU	11 998	12 493
HKUST	7 801	7 824
HKU	13 451	13 641
<b>Total</b>	<b>70 757</b>	<b>72 239</b>

\* Including “2+2” Diploma in Education programme which is funded at Ug level and 37 places (7 of which are senior year places) for Bachelor of Arts in Translation where the students will undertake sandwich option during 2015/16 and are expected to complete their final year of study in 2016/17.

#### *Senior year undergraduate places only*

<b>Institutions</b>	<b>2014/15</b>	<b>2015/16</b>
<i>CityU</i>	<i>2 236</i>	<i>2 704</i>
<i>HKBU*</i>	<i>686</i>	<i>846</i>
<i>LU</i>	<i>248</i>	<i>254</i>
<i>CUHK</i>	<i>700</i>	<i>789</i>
<i>HKIEd</i>	<i>121</i>	<i>164</i>
<i>PolyU</i>	<i>2 256</i>	<i>2 704</i>
<i>HKUST</i>	<i>200</i>	<i>220</i>
<i>HKU</i>	<i>540</i>	<i>584</i>
<b>Total</b>	<b>6 987</b>	<b>8 265</b>

\* Including 7 places for Bachelor of Arts in Translation where the students will undertake sandwich option during 2015/16 and are expected to complete their final year of study in 2016/17.

*First-year first-degree places only*

<b><i>Institutions</i></b>	<b><i>2014/15</i></b>	<b><i>2015/16</i></b>
<i>CityU</i>	2 095	2 095
<i>HKBU</i>	1 223	1 223
<i>LU</i>	553	553
<i>CUHK</i>	3 247	3 247
<i>HKIEd</i>	621	621
<i>PolyU</i>	2 337	2 337
<i>HKUST</i>	1 901	1 901
<i>HKU</i>	3 023	3 023
<b><i>Total</i></b>	<b><i>15 000</i></b>	<b><i>15 000</i></b>

**B. Taught Postgraduate**

<b>Institutions</b>	<b>2014/15</b>	<b>2015/16</b>
CityU	53	53
HKBU	235	235
LU	-	-
CUHK	712	712
HKIEd	427	427
PolyU	15	15
HKUST	-	-
HKU	751	751
<b>Total</b>	<b>2 193</b>	<b>2 193</b>

**C. Research Postgraduate**

<b>Institutions</b>	<b>2014/15</b>	<b>2015/16</b>
CityU	536	525
HKBU	228	225
LU	69	62
CUHK	1 495	1 440
HKIEd	45	49
PolyU	580	553
HKUST	1 099	1 035
HKU	1 543	1 475
Places for HKPFS (Note 1)	-	231
<b>Total</b>	<b>5 595</b>	<b>5 595</b>

#### D. Sub-degree

<b>Institutions</b>	<b>2014/15</b>	<b>2015/16</b>
CityU	841	841
HKBU	-	-
LU	-	-
CUHK	-	-
HKIEd	1 113	1 113
PolyU	2 367	1 914
HKUST	-	-
HKU	-	-
<b>Total</b>	<b>4 321</b>	<b>3 868</b>

#### Total Enrolment (i.e. A+B+C+D)

<b>Institutions</b>	<b>2014/15</b>	<b>2015/16</b>
CityU	12 132	12 553
HKBU	6 292	6 420
LU	2 529	2 528
CUHK	16 544	16 722
HKIEd	5 764	5 740
PolyU	14 960	14 975
HKUST	8 900	8 859
HKU	15 745	15 867
Places for HKPFS (Note 1)	-	231
<b>Total</b>	<b>82 866</b>	<b>83 895</b>

#### Notes

1. 231 Research Postgraduate places are reserved for the Hong Kong PhD Fellowship Scheme (HKPFS) and will be allocated in March/April 2015.
2. Figures refer to the position up to July 2014.
3. Figures may not add up to the corresponding totals owing to rounding.

#### 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's funding methodology was developed in 1994 and has been used since then for the assessment of the recurrent grants for the UGC-funded institutions. It is regularly reviewed and improved to ensure that it is appropriate and relevant to current circumstances.

2. Recurrent grants for 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 the pursuit of their different roles and missions in teaching and research.

**Block grant**

3. The New Academic Structure (NAS) has been implemented in the UGC-funded sector since the 2012/13 academic year. 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 institutions, a "two pots of money" approach/funding methodology has been applied since the 2012/13 to 2014/15 triennium, as detailed below. Institutions still receive a single lump-sum block grant in the end and the "two pots of money" approach will not affect the existing autonomy within which institutions deploy their block grant.

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

4. Under the "existing pot of money", the amount of block grant 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 bulk of the block grant is allocated for teaching, which is an indispensable duty and mission of all institutions. The Teaching element is determined on the basis of the student numbers, 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 than the others

because they require special equipment, laboratory or more staff time, 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 Programme <sup>(1)</sup>	Research Programme <sup>(2)</sup>
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

Notes:

(1) Includes sub-degree, undergraduate and taught postgraduate programmes.

(2) Includes research postgraduate programmes.

#### *Research element*

6. The Research element is disbursed to the institutions 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. To promote research excellence, since the 2012/13 academic year,

the UGC has been gradually allocating the Research element to its funded institutions on a more competitive basis according to their success in obtaining peer-reviewed Earmarked Research Grants provided through the Research Grants Council (RGC). Over a period of nine years, about 50% of the Research element will be allocated in this manner. In the 2015/16 roll-over year, we have earmarked research funding amounting to about 5.1% of the “existing pot of money” in the block grant for competitive allocation. The remainder is allocated with regard to the institutions’ performance in the 2006 Research Assessment Exercise (RAE). The UGC will review the competitive allocation mechanism of the Research element before the end of the 2012/13 to 2014/15 triennium (i.e. 2015).

#### *Professional Activity element*

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

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

8. The new funding for the additional year under the NAS, treated as a separate pot of money 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.

#### *Allocation of block grant within institutions*

9. 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 autonomy in and responsibility for determining the best use of the resources vested in them.

#### **Funds for specific purposes**

10. For the 2015/16 roll-over year, the UGC recommends disbursing the following grants for achieving various purposes that are considered to be important to the development of the local higher education sector: -

(a) Earmarked Research Grants (ERG)

The bulk of the ERG is now funded by the investment income of the Research Endowment Fund. In addition, an amount of \$122.9 million will be deployed within the Cash Limit for ERG in the 2015/16 roll-over year.

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

LEG and TDG are designed to encourage and promote the 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, a total of \$180.7 million is earmarked for the institutions in the 2015/16 roll-over year.

(c) Knowledge Transfer

To build up institutional capacity and to broaden institutions' endeavour in knowledge transfer, a total sum of \$60.1 million has been secured from the Administration and earmarked for new initiatives in Knowledge Transfer in the 2015/16 roll-over year.

(d) Central Allocation Vote (CAV)

Given that the 2015/16 roll-over year is regarded as an extension of the 2012-15 triennium, the UGC has set aside a total of \$76.3 million under the CAV to meet the funding requirements for projects previously funded by this vote in the 2012-15 triennium; and the Area of Excellence research projects in the 2015/16 roll-over year.

(e) Others

There are a number of other small extra formulaic adjustments relating to specific activities of institutions totalling some \$80 million in the 2015/16 roll-over year, endorsed by the UGC.

## Annex C

### Allocation of recurrent funding for UGC-funded Institutions in the 2015/16 roll-over year

	<b>Academic year (July to June) 2015/16 (\$ million)</b>
<b>Recurrent grants (Note 2)</b>	
City University of Hong Kong	2,207.0
Hong Kong Baptist University	1,060.3
Lingnan University	410.7
The Chinese University of Hong Kong	3,842.5
The Hong Kong Institute of Education	708.3
The Hong Kong Polytechnic University	2,679.3
The Hong Kong University of Science and Technology	2,022.7
The University of Hong Kong	3,915.6
<i>Sub-total of recurrent grants</i>	16,846.5
<b>Recurrent grants to be allocated</b>	
Earmarked Research Grants	122.9
Other centrally held provisions (Note 3)	136.4
<b><u>Total recurrent grants</u></b>	<b><u>17,105.9</u></b>
<b><u>Projected annual research funding for UGC-funded institutions from the Research Endowment Fund</u></b>	<b><u>Around 1,000</u></b>

#### Notes

1. The above numbers may not add up due to rounding.
2. Figures are indicative, which may increase or decrease slightly when actual competition results on the allocation of UGC-funded RPg places and for indirect/on-costs of RGC projects are available.
3. Includes \$65.1 million for Areas of Excellence Scheme.

## **Implications of the proposals**

### **Financial implications**

The overall funding requirement for the UGC-funded sector is worked out on the basis of an established framework, which takes into account the changes in price levels and student numbers from the previous funding period. The estimated total cost for implementing the UGC's recurrent funding recommendations for the 2015/16 academic year (i.e. the Cash Limit) will be **\$17,105.9 million**<sup>1</sup> (i.e. \$12,829.4 million for 2015-16 financial year and \$4,276.5 million for 2016-17 financial year), representing an increase of 6.3% as compared with \$16,086.9 million<sup>1</sup> for the 2014/15 academic year. The Government will earmark sufficient funding for the Cash Limit in the Estimates of the respective years.

2. As a result of the progressive increase of 1 000 senior year undergraduate intake places as announced in the Chief Executive's 2014 Policy Address (including an increase of 265 intake places in the 2015/16 academic year), there will be additional funding requirement in other areas outside of the UGC's recurrent funding recommendation (\$17,105.9 million in the 2015/16 academic year), such as student financial assistance as well as capital subventions for expanded academic facilities and student hostels. For student financial assistance, it is estimated that around \$3.5 million for grants and student travel subsidy would be required in 2015-16 financial year, with full effect of \$26.6 million starting from 2019-20 financial year. In addition, each additional senior year undergraduate intake place will give rise to a need for about 18.06 square metres (in terms of net operational floor area) of additional academic building space and 1.03 student hostel places. There may also be additional requirement for land grants. Capital funding required will be sought in accordance with the established mechanism.

### **Economic implications**

3. The proposed recurrent funding to UGC-funded institutions for the 2015/16 roll-over year will help sustain the development of higher education in Hong Kong especially in regard to maintaining the quality of teaching and research. The additional senior year places will help nurture a greater pool of local talent to meet the manpower needs of different industries, which should in turn be conducive to maintaining Hong Kong's economic vitality and overall competitiveness.

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<sup>1</sup> Cash Limits for 2014/15 and 2015/16 have taken into account impact arising from the proposed 2014 civil service pay adjustment, which is pending the approval of the Finance Committee of the Legislative Council.

## **Sustainability implications**

4. 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.