

CHAPTER 7

Education Bureau

**Assistance schemes for
self-financing post-secondary
education institutions**

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Hong Kong
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ASSISTANCE SCHEMES FOR SELF-FINANCING POST-SECONDARY EDUCATION INSTITUTIONS

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ASSISTANCE SCHEMES FOR SELF-FINANCING POST-SECONDARY EDUCATION INSTITUTIONS

Executive Summary

1. The Government adopts a two-pronged strategy of promoting the development of self-financing post-secondary education sector as well as the publicly-funded sector. Since 2001, to promote the healthy and sustainable development, and to enhance the quality of the self-financing post-secondary education sector, the Government has implemented various assistance schemes (administered by the Education Bureau (EDB) or the University Grants Committee (UGC)) for self-financing post-secondary education institutions (SFIs). They comprise: (a) Land Grant Scheme (LGS); (b) Start-up Loan Scheme (SLS); (c) Self-financing Post-secondary Education Fund (SPEF); (d) Qualifications Framework Support Schemes; (e) Qualifications Framework Fund; (f) Matching Grant Scheme (MGS); (g) Research Endowment Fund; and (h) Reimbursement of rates and government rent.

2. As at 30 June 2016, there were 28 SFIs eligible for the government assistance schemes. Some of these 28 SFIs provide self-financing post-secondary programmes (i.e. sub-degree and undergraduate programmes) direct while others through their extension arms. If counting the extension arms separately apart from their mother institutions, altogether there were 40 institutions/extension arms (hereinafter referred to as self-financing programme providers (SFPPs)). For the academic year 2014/15 (all years mentioned hereinafter refer to academic years), there were 76,801 students enrolled in 627 full-time self-financing post-secondary programmes.

3. In April 2016, the Audit Commission (Audit) commenced a review of the provision of assistance schemes for SFIs, focusing on four schemes, namely the LGS, the SLS, the SPEF and the MGS.

Administration of LGS and SLS

4. ***Processing of LGS applications.*** The LGS provides land sites at nominal premium or vacant premises at nominal rent to SFPPs. Applications for LGS land sites/premises are assessed and recommended by a Vetting Committee (which comprises a non-official chairman, seven non-official members and one official member) and approved by the Secretary for Education. Up to 31 March 2016, 17 land sites/premises had been granted under the LGS. Audit examined the LGS applications and noted that there were inadequacies in the application approval processes: (a) in December 2008, SFPP A (operating under the aegis of a UGC-funded university) applied for the use of an LGS premises by SFPP B (a division of SFPP A). Contrary to the EDB's established approval practice, the application (together with two other applications in the same batch) was only approved by the Permanent Secretary for Education instead of the Secretary for Education; (b) in December 2011, SFPP C (controlled by the UGC-funded university) applied for the temporary use of the premises for three years until the end of 2014/15. The application was approved by the Permanent Secretary for Education; (c) subsequently, an application was made by SFPP C in January 2015 for the extension of the use of the premises for another three years up to August 2018 and was approved by a Deputy Secretary for Education. The change of the user of the premises from SFPP B operating sub-degree programmes to SFPP C operating undergraduate programmes, albeit temporary, was a fundamental and significant change. However, the temporary use of premises by SFPP C and the extension were approved without seeking advice from the Vetting Committee. In May 2016, owing to operational difficulties, the management of SFPP C was taken over by SFPP A; and (d) the EDB did not enter into legally binding agreements with SFPP C, hence SFPP C was not required to submit and had not submitted any Annual Progress Report for EDB's performance monitoring purpose (paras. 1.5(a) and 2.3 to 2.5).

5. ***Renewal of LGS grants.*** Under the LGS, a land site/premises is granted to the grantee for ten years. The grant may be renewed every ten years. As at 31 July 2016, the grants of five land sites had expired and the grantees had applied for renewal. Under the existing practice, renewal applications were only assessed and approved by a Principal Assistant Secretary of the EDB. Audit examined the five renewal applications and found that there were circumstances under which the advice of the Vetting Committee might need to be sought in assessing renewal applications to ensure that renewals were properly granted. For example: (a) in a

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renewal application, the SFPP's actual student enrolment of the locally-accredited sub-degree programmes showed a trend of falling short of the expected number in recent years; and (b) in another renewal application, the Lands Department identified breaches of the Conditions of Grant by the SFPP (paras. 2.3(a) and 2.9).

6. *Unspent SLS loan balances.* The SLS provides interest-free loans to SFPPs to finance campus development. Up to 31 March 2016, 39 loans amounting to \$7.3 billion had been granted. With effect from July 2006, borrowers are required to repay the Government on demand, in a lump sum, unspent loan balances two years after the final drawdown of the loans. The EDB mainly relies on the project costs reported by borrowers to identify unspent loan balances. Audit noted that the EDB did not require borrowers to submit certified accounts for their projects. It was therefore uncertain whether the project costs reported by the borrowers were accurate (paras. 1.5(b), 2.12 and 2.14).

Administration of SPEF and MGS

7. *Administration of the SPEF.* The SPEF supports worthwhile non-works projects to enhance the quality of education provided by SFPPs under the Quality Enhancement Support Scheme (QESS). The SPEF also aims to provide scholarships/awards to outstanding students nominated by SFPPs under the Self-financing Post-secondary Scholarship Scheme. As at 31 March 2016, \$136 million had been granted to 30 approved projects and \$308 million of scholarships/awards had been granted to some 16,100 students. Audit found that: (a) up to 2015/16, 11 (28%) of the 40 SFPPs had never submitted QESS applications; (b) the EDB did not provide the unsuccessful QESS applicants with feedback on ways to improve so as to facilitate their future applications; and (c) the unpaid amounts of scholarships/awards increased by 466%, from \$680,000 in 2012/13 to \$3,850,000 in 2014/15. Of the unpaid amounts of \$3,850,000, \$3,750,000 (97%) could not be paid to students under the Reaching Out Award because they had not participated in the required outreaching activities (paras. 1.5(c), 3.2, 3.7, 3.8 and 3.20).

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8. *Administration of the MGS.* The MGS matches private donations secured by the post-secondary education institutions to help them secure more funds for better quality education. Since the launch of the MGS in July 2003, a total of \$7.4 billion had been granted to 17 institutions through six rounds of MGS funding. Audit examined the sixth round of MGS funding and found that: (a) of the 17 institutions, the majority (82%) of the MGS grants were allocated to the eight UGC-funded universities; (b) one SFI had not submitted the auditor's report for 2014/15 certifying that the institution had complied with the conditions of the MGS grants; and (c) there was no mechanism in place to verify that MGS grants were spent by institutions in a cost-effective manner (paras. 1.5(f), 3.25, 3.27, 3.29 and 3.30).

Way forward

9. *Latest development of the self-financing post-secondary education sector.* In June 2015, the Code of Good Practices on Governance and Quality Assurance (Code of Good Practices) for self-financing post-secondary education sector was promulgated for voluntary implementation by SFIs. The Code of Good Practices contains 27 individual good practices aiming to enhance transparency in operation and accountability of SFIs to the public. The EDB encourages SFIs to follow the Code of Good Practices and monitors the progress of implementation. Audit examination of five good practices revealed that: (a) less than one-fourth of the 40 SFPPs (see para. 2) disclosed on their websites their strategic and operational plans, annual reports, financial information, and outcomes of quality assurance and programme reviews; and (b) the extent of information disclosure varied significantly among the SFPPs. Audit also noted that in February 2012, the EDB launched the Electronic Advance Application System for Post-secondary Programmes (E-APP) to facilitate applications for post-secondary programmes not covered by the Joint University Programmes Admissions System (JUPAS). E-APP, however, is only a system for SFIs to receive applications, and it is common that multiple places are offered by SFIs to students. SFIs, therefore, charge an enrolment deposit and require students to settle the first instalment of tuition fee before programme commencement to minimise the wastage of places. From 2012/13 to 2015/16, the enrolment deposits and tuition fees forfeited every year ranged from \$21 million to \$26 million (paras. 4.2 to 4.5, 4.7, 4.15 and 4.16).

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10. **Way forward for the government assistance schemes.** The number of students enrolled in full-time locally-accredited self-financing post-secondary programmes dropped by 9% from 84,157 in 2012/13 to 76,801 in 2014/15. According to a forecast made by the EDB in August 2015, the number of secondary school graduates would continue to decrease until 2022/23. The forecast also indicated that starting from 2017/18, the number of post-secondary education places would exceed the entire population of secondary school graduates. Due to insufficient student enrolment, an SFI was closed down in 2014 while the management of another SFI was taken over by a third SFI in 2016. Audit analysis of the rate of intake (i.e. the actual number of first year student intake divided by the number of places available) of 27 SFIs also indicated that from 2012/13 to 2014/15, the rate of intake of six of them was consistently lower than 50% (paras. 4.23 and 4.24).

Audit recommendations

11. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Secretary for Education should:**

Processing of LGS applications

- (a) **take measures to ensure that applications for LGS land sites/premises are duly approved by the Secretary for Education (para. 2.6(a));**
- (b) **in dealing with LGS matters of a significant nature (e.g. change of user of LGS land sites/premises), seek advice from the Vetting Committee and seek approval by the Secretary for Education where necessary (para. 2.6(b));**
- (c) **in LGS cases involving a change of user, enter into legally binding agreements with the new user (para. 2.6(c));**

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Renewal of LGS grants

- (d) **issue guidelines promulgating circumstances under which the advice of the Vetting Committee should be sought in assessing LGS renewal applications to ensure that renewals are properly granted (para. 2.10(a));**

Unspent SLS loan balances

- (e) **take measures to ensure the accuracy of the project costs reported by SLS borrowers (para. 2.15(b));**

Administration of the SPEF

- (f) **ascertain why some SFPPs have not participated in the QESS and take measures to encourage SFPPs to apply for QESS funding (para. 3.23(a) and (b));**
- (g) **provide feedback to unsuccessful QESS applicants on ways to improve so as to facilitate their future applications (para. 3.23(c));**
- (h) **review why so many students had not participated in the required outreaching activities of the Reaching Out Award and instigate appropriate action to address the issue (para. 3.23(h) and (i));**

Administration of the MGS

- (i) **explore more effective ways to assist institutions other than the UGC-funded universities to secure MGS grants (para. 3.31);**

Latest development of the self-financing post-secondary education sector

- (j) **consider ways to encourage SFPPs to disclose on their websites the information stipulated in the Code of Good Practices as far as possible and to help SFPPs improve their disclosure of information (para. 4.19(a)(ii) and (iii));**

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- (k) **examine the feasibility of enhancing E-APP to become a unified platform for application and admission of post-secondary programmes (para. 4.19(d));**
- (l) **endeavour to facilitate the convergence of JUPAS and E-APP (para. 4.19(e)); and**

Way forward for the government assistance schemes

- (m) **consider conducting a review of the effectiveness of the government assistance schemes in promoting the healthy and sustainable development of the self-financing post-secondary education sector to determine the way forward for the schemes in aligning with the development of the sector (para. 4.27(a)).**
12. **Audit has *recommended* that the Secretary-General, University Grants Committee should:**
- (a) **follow up with the SFI that has not submitted the auditor's report (para. 3.32(a)); and**
 - (b) **in collaboration with the Secretary for Education, establish a mechanism to verify that MGS grants are spent by institutions in a cost-effective manner (para. 3.32(b)).**

Response from the Government

13. The Government agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

Assistance schemes for self-financing post-secondary education institutions

1.2 In his 2000 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced that within ten years, 60% of senior secondary school leavers should have access to post-secondary education to meet the needs of a knowledge-based economy. To this end, the Government has adopted a two-pronged strategy of promoting the development of self-financing post-secondary education sector as well as the publicly-funded sector, thereby providing more education opportunities and choices for school leavers.

1.3 Since 2001, to promote the healthy and sustainable development and to enhance the quality of the self-financing post-secondary education sector, the Government has implemented various assistance schemes (see para. 1.5) for self-financing post-secondary education institutions (Note 1).

1.4 To be eligible for the government assistance schemes, a self-financing post-secondary education institution must be either a self-accredited local institution or an institution that has been accredited by the Hong Kong Council for

Note 1: *The Government also provides assistance to students pursuing self-financing post-secondary programmes. Examples include the Financial Assistance Scheme for Post-secondary Students and the Non-means-tested Loan Scheme for Post-secondary Students. These schemes are administered by the Working Family and Student Financial Assistance Agency.*

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Accreditation of Academic and Vocational Qualifications (HKCAAVQ — Note 2). As at 30 June 2016, there were 28 self-financing post-secondary education institutions (hereinafter these institutions are referred to as SFIs) eligible for the government assistance schemes. These institutions provide self-financing post-secondary programmes, which comprise sub-degree (i.e. associate degree and higher diploma) and undergraduate programmes, covering a wide range of disciplines (Note 3). Some of these 28 SFIs provide self-financing post-secondary programmes direct while others through their extension arms. If counting the extension arms separately apart from their mother institutions, altogether there were 40 institutions/extension arms offering self-financing post-secondary programmes. These institutions/extension arms are hereinafter referred to as self-financing programme providers (SFPPs). The grouping of the 28 SFIs (operating as 40 SFPPs) are as follows:

- (a) 8 universities funded by the University Grants Committee (UGC) (operating as 16 SFPPs) providing self-financing locally-accredited post-secondary programmes;
- (b) 9 approved post-secondary colleges registered under the Post Secondary Colleges Ordinance (Cap. 320) (operating as 9 SFPPs) providing self-financing locally-accredited post-secondary programmes;
- (c) 7 institutions registered under the Education Ordinance (Cap. 279) (operating as 7 SFPPs) providing self-financing locally-accredited post-secondary programmes;
- (d) 3 statutory institutions or their subsidiaries (operating as 7 SFPPs) providing self-financing locally-accredited post-secondary programmes; and
- (e) 1 institution (operating as 1 SFPP) providing self-financing locally-accredited non-local undergraduate programmes.

Note 2: *The HKCAAVQ is an independent statutory body providing quality assurance and qualifications assessment services to education and training institutions, course providers and the general public.*

Note 3: *The self-financing post-secondary programmes cover various disciplines, for example, Education, Humanities, Law, Sciences and Social Sciences.*

A list of these 28 SFIs (operating as 40 SFPPs) can be found at Appendix A.

1.5 The government assistance schemes for SFIs are administered by the Education Bureau (EDB) or the UGC. They comprise:

Assistance schemes administered by the EDB

- (a) **Land Grant Scheme (LGS).** The LGS provides land sites at nominal premium or vacant premises at nominal rent to SFPPs. From the launch of the LGS in May 2002 to March 2016, 11 land sites and six vacant premises were granted (see Photograph 1 for an example). A list of the 17 land sites/premises granted is shown at Appendix B;

Photograph 1

A premises granted under LGS



Source: Photograph taken by Audit

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- (b) ***Start-up Loan Scheme (SLS).*** The SLS provides interest-free loans to SFPPs to support the development of college premises and student hostels, reprovisioning of existing premises operating in sub-optimal environment and enhancement of teaching and learning facilities. There is no limit on the amount that an SFPP can borrow from the SLS. From the establishment of the SLS in July 2001 to March 2016, 39 loans amounting to \$7.3 billion were granted. The amounts of individual loans ranged from \$2.5 million (for renovation of campuses) to \$800 million (for construction of an academic and administrative building, a sports and student amenities centre and student hostels);
- (c) ***Self-financing Post-secondary Education Fund (SPEF).*** The SPEF supports worthwhile non-works projects to enhance the quality of education provided by SFPPs. The funding limits for theme-based and non-theme-based projects are \$90 million and \$4 million respectively. The SPEF also aims to provide scholarships/awards to outstanding students nominated by SFPPs. The amounts of scholarships/awards range from \$10,000 to \$80,000. From its establishment in August 2011 to March 2016, \$136 million was granted to 30 approved projects and \$308 million of scholarships/awards was granted to some 16,100 students;
- (d) ***Qualifications Framework Support Schemes.*** These Schemes were launched in May 2008. They assist SFPPs in seeking accreditation of their programmes by the HKCAAVQ and registering programmes and qualifications in the Qualifications Register maintained by the HKCAAVQ. They also support SFPPs' initiatives relating to the development of the Qualifications Framework (Note 4) administered by the EDB. The Schemes may reimburse up to 100% of the accreditation fees incurred by SFPPs. As at 31 March 2016, funding of \$135 million for some 4,400 programmes/initiatives had been granted. The Schemes have been incorporated into the Designated Support Schemes for Qualifications Framework under the Qualifications Framework Fund since

Note 4: *The EDB launched the Qualifications Framework in May 2008. It is a seven-level hierarchy covering qualifications in the academic, vocational and professional as well as continuing education sectors to promote and support lifelong learning with a view to continuously enhancing the quality, professionalism and competitiveness of the workforce in an increasingly globalised and knowledge-based economy.*

the Fund's establishment in September 2014 (see (e) below). The balance of \$73 million (as at 31 March 2016) of the Schemes would be used to meet the cash flow requirements of the various initiatives supported by the Fund (Note 5);

- (e) ***Qualifications Framework Fund.*** This Fund was established in September 2014 with a commitment of \$1 billion. It supports various initiatives for Qualifications Framework development, Qualifications Framework-related studies/projects and public education. The Fund may reimburse up to 100% of the accreditation fees incurred by SFPPs. The income generated from the investment of the Fund will start to be used when the balance of the Qualifications Framework Support Schemes is exhausted;

Assistance schemes administered by the UGC

- (f) ***Matching Grant Scheme (MGS).*** The MGS was launched in July 2003 to match private donations secured by the post-secondary education institutions. The MGS helps institutions secure more funds for better quality education. It enhances institutions' dialogues with other sectors of the community and helps foster a philanthropic culture over time. The MGS was originally available for the eight UGC-funded universities only. It had gradually expanded to cover the publicly-funded Hong Kong Academy for Performing Arts and eight specified SFIs, namely six of the nine SFIs in paragraph 1.4(b) and two of the three SFIs in paragraph 1.4(d) (Note 6). From July 2003 to July 2014, six rounds of MGS

Note 5: *Education and training providers that operate self-financing programmes (including but not limited to undergraduate and sub-degree programmes) are eligible for subsidies under the Qualifications Framework Support Schemes (and the Qualifications Framework Fund). The 4,400 programmes/initiatives and the expenditure of \$135 million included the programmes/initiatives of and the funding provided to these education and training providers. The EDB does not maintain breakdowns for different levels of programmes.*

Note 6: *The specified SFIs are listed in the Note to Table 8 in paragraph 3.27.*

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funding were conducted and a total of \$7.4 billion was granted. Of the \$7.4 billion, \$6.8 billion had been granted to the eight UGC-funded universities and the Academy, and \$0.6 billion had been granted to eight specified SFIs. Funding limits of the MGS varied from round to round. For the sixth round, the limit was \$600 million;

- (g) **Research Endowment Fund.** In 2009, to provide stable funding to support research in the UGC-funded universities, the Government set up the Fund with an endowment of \$18 billion. In 2012, the Government injected another \$5 billion into the Fund bringing the endowment to \$23 billion. The Fund also extended its funding scope to include eligible local self-financing degree awarding institutions (Note 7). Of the \$23 billion, \$20 billion is designated for the UGC-funded universities while \$3 billion is designated for the eligible local self-financing degree awarding institutions. Income from the investment of \$20 billion and \$3 billion are disbursed as research grants to the universities and the local self-financing degree awarding institutions respectively. There are three funding schemes (two have no funding limit while one has funding ceilings — Note 8) available for the eligible local self-financing degree awarding institutions. As at 31 March 2016, \$189 million had been granted for 126 approved projects to the eligible local self-financing degree awarding institutions; and

Note 7: *Among the 40 SFPPs in Appendix A, 13 are eligible for the three competitive research funding schemes under the Research Endowment Fund, namely the Caritas Institute of Higher Education, the Centennial College, the Chu Hai College of Higher Education, the Hang Seng Management College, the Hong Kong Shue Yan University, The Open University of Hong Kong, the Tung Wah College, the HKCT Institute of Higher Education, the Hong Kong Nang Yan College of Higher Education, the School of Continuing Education of the Hong Kong Baptist University, the School of Professional Education and Executive Development of The Hong Kong Polytechnic University, the Technological and Higher Education Institute of Hong Kong of the Vocational Training Council and the Gratia Christian College.*

Note 8: *There are four different funding ceilings of \$3 million, \$6 million, \$8 million and \$14 million depending on the number of full-time academic staff and full-time students of the local self-financing degree awarding institutions.*

Assistance scheme administered by the EDB and the UGC

- (h) ***Reimbursement of rates and government rent.*** This assistance scheme was introduced in 1972. Under the scheme, SFIs can apply for reimbursement of rates and government rent if the premises concerned are occupied for educational purposes. For the five financial years from 2011-12 to 2015-2016, SFIs were reimbursed a total of \$174 million.

1.6 Table 1 summarises the financial commitment, source of funding, the number of approved cases and the approved amount of various assistance schemes as at 31 March 2016.

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Table 1
Assistance schemes for SFPPs
(31 March 2016)

Scheme	Financial commitment	Source of funding	No. of cases approved	Approved amount
<i>Administered by the EDB</i>				
LGS	N.A.	N.A.	11 land sites and 6 premises	N.A.
SLS	\$9 billion	Loan Fund	39 loans (26 loans outstanding)	\$7.3 billion (\$4.2 billion outstanding)
SPEF	\$3.52 billion	(Note 1)	30 projects	\$136 million
			16,100 scholarships/awards	\$308 million
Qualifications Framework Support Schemes	\$208 million	General Revenue Account of the Government	4,400 programmes and other initiatives (Note 2)	\$135 million (Note 2)
Qualifications Framework Fund	\$1 billion	(Note 1)	Nil (Note 3)	
<i>Administered by the UGC</i>				
MGS	\$7.5 billion	General Revenue Account of the Government	17 institutions (Note 4)	\$7.4 billion (Note 4)
Research Endowment Fund	\$3 billion for local self-financing degree awarding institutions	(Note 1)	126 projects	\$189 million
<i>Administered by the EDB and the UGC</i>				
Reimbursement of rates and government rent	N.A.	General Revenue Account of the Government	14 SFIs	\$174 million (2011-12 to 2015-16)

Source: EDB records

Note 1: The SPEF, the Qualifications Framework Fund and the Research Endowment Fund were set up under the Permanent Secretary for Education Incorporated, which acts as the trustee of the funds. Each fund is managed in accordance with a trust deed that stipulated the framework and salient features concerning the fund's management and administration. The amount injected by the Government into each fund is used as seed money to generate investment returns to cover the fund's expenditure.

Note 2: The 4,400 approved cases and the approved amount of \$135 million included the programmes/initiatives of and the approved amount for other education providers (see Note 5 in para 1.5(d)).

Note 3: The income generated from investment of the Fund's commitment of \$1 billion will start to be used when the balance of the Qualifications Framework Support Schemes is exhausted.

Note 4: The 17 institutions included eight UGC-funded universities, the Hong Kong Academy for Performing Arts and eight specified SFIs. Of the \$7.4 billion, \$6.8 billion was granted to the universities and the Academy while \$0.6 billion was granted to the SFIs.

1.7 For the academic year 2014/15 (Note 9), there were 76,801 students enrolled in 627 full-time post-secondary programmes provided by SFIs.

Audit review

1.8 In April 2016, the Audit Commission (Audit) commenced a review of the provision of assistance schemes for SFIs. The audit has focused on the following areas:

- (a) administration of the LGS and the SLS (PART 2);
- (b) administration of the SPEF and the MGS (PART 3); and
- (c) way forward (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

1.9 In examining the administration of assistance schemes, this review does not cover:

- (a) the Research Endowment Fund. This Fund has been separately covered in the review of “Funding of academic research projects by Research Grants Council” (see Chapter 6 of the Director of Audit’s Report No. 67);
- (b) the Qualifications Framework Support Schemes and reimbursement of rates and government rent, owing to their lower materiality; and
- (c) the Qualifications Framework Fund as the Fund’s monies were yet to be used.

Note 9: *Unless otherwise stated, all years mentioned in this Audit Report refer to academic years starting in September of a year and ending in August of the following year.*

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Acknowledgement

1.10 Audit would like to acknowledge with gratitude the full cooperation of the staff of the EDB and UGC Secretariat during the course of the audit review.

PART 2: ADMINISTRATION OF LAND GRANT SCHEME AND START-UP LOAN SCHEME

2.1 This PART examines the administration of the LGS and the SLS. Audit found room for improvement in the following areas:

- (a) processing of LGS and SLS applications (paras. 2.2 to 2.7);
- (b) renewal of LGS grants (paras. 2.8 to 2.11); and
- (c) unspent SLS loan balances (paras. 2.12 to 2.16).

Processing of LGS and SLS applications

2.2 SFPPs are eligible to apply for land sites/premises under the LGS and loans under the SLS. When a land site/premises is available for granting to the SFPPs (Note 10), the EDB will invite applications from the SFPPs through open tendering. At the same time, the EDB will open the SLS for applications by the SFPPs (Note 11). The SFPPs may apply for either the LGS land sites/premises or the SLS loans, or both. In making applications, the SFPPs need to submit documents including:

- (a) ***Educational Development Proposal.*** The Educational Development Proposal is required for applying for LGS land sites/premises and SLS loans. It contains information such as the programmes to be offered and the projected student enrolment; and

Note 10: *According to the EDB, having regard to the demand of the self-financing post-secondary education sector for campus development, the EDB would earmark and launch land sites or vacant government premises for post-secondary education use under the LGS from time to time subject to their availability as advised by relevant government departments, such as the Planning Department, the Lands Department and the Government Property Agency.*

Note 11: *According to the EDB, having regard to the demand of the self-financing post-secondary education sector for start-up loans for financing campus development on land sites/premises obtained via channels other than the LGS, the EDB also separately invites SFPPs to apply for SLS loans under stand-alone application exercises from time to time.*

Administration of Land Grant Scheme and Start-up Loan Scheme

- (b) *Site Development Proposal/Site Utilisation Proposal.* The Site Development Proposal is required for applying for LGS land sites and SLS loans for construction works while the Site Utilisation Proposal is required for applying for LGS premises and SLS loans for refurbishment works. The proposals contain information such as the proposed layout plan and the estimated construction/refurbishment cost.

2.3 Applications for LGS land sites/premises and SLS loans are assessed by the Vetting Committee for the Allocation of Sites and Start-up Loan for Post-secondary Education Providers (Vetting Committee — Note 12). Based on the Vetting Committee's recommendations, the Secretary for Education approves the LGS applications and SLS applications for loan amount not exceeding \$15 million. For SLS loans with an amount over \$15 million, the Secretary endorses the applications and submits them to the Finance Committee of the Legislative Council (LegCo) for approval. When approval from relevant authorities is obtained, the grantees/the borrowers and the Government will enter into the following legally binding agreements:

LGS

- (a) *Service Agreement.* The Service Agreement sets out the obligations of the grantee such as implementation of the Educational Development Proposal and the Site Development Proposal/Site Utilisation Proposal, and the requirement to submit an Annual Progress Report to the EDB for performance reporting purpose. A land site/premises is granted to the grantee for a period of ten years. The grant may be renewed every ten years. Upon every renewal, the grantee and the Government need to enter into a new Service Agreement;

Note 12: *As at 1 September 2016, the Vetting Committee comprised a non-official chairman, seven non-official members from various professional backgrounds and one official member (a Principal Assistant Secretary of the EDB). Its terms of reference are: (a) to examine and assess applications under the LGS and the SLS and advise and make recommendations to the Secretary for Education; and (b) to advise the Secretary for Education on any other matters that may be referred to the Committee by the EDB concerning the criteria for selection, the selection process, as well as the policy and execution of the LGS and the SLS. The Committee has been set up since September 2012. Before that, LGS and SLS applications were vetted by two separate committees. For simplicity, the committees are referred to as the Vetting Committee in this Audit Report.*

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- (b) ***Conditions of Grant/Tenancy Agreement.*** The Conditions of Grant (for granting of land sites) is issued by the Lands Department to require the grantee to build and maintain upon the land site a building with facilities approved by the EDB and to regulate the land use by the grantee. The Tenancy Agreement (for granting of premises) sets out the terms of using the premises. The Conditions of Grant and the Tenancy Agreement are co-terminus with the Service Agreement (i.e. the Service Agreement and the Conditions of Grant/Tenancy Agreement are renewable at the same time); and

SLS

- (c) ***Loan Agreement.*** The Loan Agreement sets out the obligations of the borrower such as repaying the loan according to the repayment terms and submission of an Annual Progress Report. Under the Loan Agreement, the borrower is required to repay the loan interest-free within ten years by equal annual instalments from the date of final drawdown of the loan. Since May 2008, the SLS has been modified to allow the borrower to apply for repayment extension of up to 20 years. Interest is charged on the outstanding loan balance after the first ten years.

2.4 Up to 31 March 2016, 17 land sites/premises and 39 loans had been granted under the LGS and the SLS respectively. Of the 39 SLS loans, 13 were fully repaid and 26 were outstanding (a list of the 26 outstanding loans is shown at Appendix C). Of the 26 outstanding loans, 23 were over \$15 million (ranged from \$22.7 million to \$800 million) and three were below \$15 million (ranged from \$2.5 million to \$11 million). There were no default loan cases and there was only one incident of late repayment by four days.

Need to ensure that applications for LGS land sites/premises are duly evaluated and approved

2.5 In examining the applications of the LGS land sites/premises, Audit noted that there were inadequacies in the application approval processes (see Case 1).

Case 1

1. In December 2008, SFPP A (operating under the aegis of a UGC-funded university) applied for the use of an LGS premises for operating sub-degree programmes by SFPP B (a division of SFPP A). SFPP A stated in the application that the premises would be used as a new campus for SFPP B to relocate some of its students who were attending classes in commercial premises and suffering from sub-optimal learning environment.

2. In September 2009, following the Vetting Committee's recommendation, the Permanent Secretary for Education approved (together with two other applications in the same batch) the granting of the premises to the university for use by SFPP B (Note). To fund the refurbishment of the premises, SFPP A applied for an SLS loan amounting to some \$40 million. Following the Vetting Committee's recommendation, the Secretary for Education's endorsement and the approval by the Finance Committee (as the loan was above \$15 million), the loan was granted to the university in January 2010 (Note). In July 2011, the refurbishment works were completed. In January 2012, approval was obtained from the Buildings Department to use the premises.

3. However, in December 2011 (one month before the approval was given by the Buildings Department to use the premises), with the consent of SFPP A, SFPP C (registered under the Post Secondary Colleges Ordinance and controlled by the UGC-funded university) submitted an application to the EDB for temporary use of the premises for providing self-financing undergraduate programmes for three years until the end of 2014/15. After studying SFPP C's Educational Development Proposal and given that SFPP C was eligible for the LGS, and taking into consideration that SFPP B had at the time already extended its lease on the commercial premises to accommodate its students, the Permanent Secretary for Education approved, as a transitional arrangement, the temporary use of the premises by SFPP C up to 31 August 2015. The EDB did not enter into any legally binding agreements (see para. 2.3) with SFPP C.

Case 1 (Cont'd)

4. In February 2012 and May 2013, SFPP C applied for other land sites under the LGS. Its applications were however not recommended by the Vetting Committee. In January 2015 (seven months before the expiry of the temporary use of the premises), with the support of SFPP A, SFPP C applied to the EDB for extension of the use of the premises for another three years up to 31 August 2018. In June 2015, to minimise the disturbance to the existing students of SFPPs B and C, a Deputy Secretary for Education approved the extension.

5. In May 2016, owing to operational difficulties, the management of SFPP C was taken over by SFPP A.

Audit comments

6. Audit found room for improvement in the approval process:

- (a) contrary to the EDB's established approval practice, SFPP A's application for use of the premises by SFPP B in December 2008 (together with two other LGS applications in the same batch) was only approved by the Permanent Secretary for Education. In accordance with EDB's established approval practice, applications for LGS land sites/premises should be approved by the Secretary for Education (see para. 2.3);
- (b) the change of the user of the premises from SFPP B operating sub-degree programmes to SFPP C operating undergraduate programmes in December 2011, albeit temporary, was also approved by the Permanent Secretary for Education. Given that the change of user of the premises is fundamental and significant, it would be advisable to refer the change to the Vetting Committee for advice; and
- (c) the application for further extension of the temporary use of the premises by SFPP C in January 2015 for a period of another three years was approved by a Deputy Secretary for Education. Again, despite the significant nature of the extension, no advice had been sought from the Committee.

In Audit's view, all applications for LGS land sites/premises, being valuable resources, should be approved by the Secretary for Education, and advice from the Vetting Committee should be sought in dealing with LGS matters of a significant nature.

Case 1 (Cont'd)

7. For performance monitoring purpose, it is stipulated in the Service Agreement (see para. 2.3(a)) that LGS grantees are required to submit an Annual Progress Report to the EDB. The Report would contain information such as the academic programmes operated, the enrolment of students and the financial position of the grantee. As no legally binding agreements had been signed between SFPP C and the Government (see para. 3 above), SFPP C was not required to submit and had not submitted any such Reports.

8. Audit considers that the EDB needs to:

- (a) take measures to ensure that applications for LGS land sites/premises are duly approved by the Secretary for Education;
- (b) in dealing with LGS matters of a significant nature (e.g. change of user of LGS land sites/premises), seek advice from the Vetting Committee and seek approval by the Secretary for Education where necessary; and
- (c) in cases involving a change of user, enter into legally binding agreements with the new user.

Source: Audit analysis of EDB records

Note: According to the EDB, to better protect the Government's interest, for successful LGS/SLS applications of SFPPs operating under the aegis of UGC-funded universities, the Government will grant the land sites/premises/loans to the universities for use by the SFPPs and enter into legally binding agreements with the universities (instead of the SFPPs). Furthermore, some of the SFPPs of the UGC-funded universities are not separate legal entities and could not enter into legal agreements with the Government.

Audit recommendations

2.6 **Audit has recommended that the Secretary for Education should:**

- (a) **take measures to ensure that applications for LGS land sites/premises are duly approved by the Secretary for Education;**

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- (b) **in dealing with LGS matters of a significant nature (e.g. change of user of LGS land sites/premises), seek advice from the Vetting Committee and seek approval by the Secretary for Education where necessary; and**
- (c) **in LGS cases involving a change of user, enter into legally binding agreements with the new user.**

Response from the Government

2.7 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) the EDB will seek advice from the Vetting Committee where necessary in dealing with LGS matters of a significant nature (e.g. change of user of LGS land sites/premises), and ensure that applications for LGS land sites/premises are duly approved by the Secretary for Education; and
- (b) in LGS cases involving a change of user, the EDB will consider entering into legally binding agreements with the new user where appropriate.

Renewal of LGS grants

2.8 In applying for renewal of a grant of land site/premises under the LGS, the grantee is required to:

- (a) apply to the EDB for the renewal at least 15 months before the expiry of the existing Service Agreement;
- (b) submit a new Educational Development Proposal to the satisfaction of the EDB; and
- (c) submit a performance report to the EDB covering the period of the Service Agreement to provide information such as the number of student enrolment and the academic programmes operated.

Need to promulgate guidelines on seeking advice from the Vetting Committee

2.9 As at 31 July 2016, of the 17 land sites/premises granted, the grants of five land sites had expired. Prior to the expiry of the grants, the grantees had applied for renewal of the grants. Audit examined the renewal applications of these five grants and found that under the existing practice, renewal applications were only assessed and approved by a responsible Principal Assistant Secretary of the EDB. In Audit's view, this is not entirely satisfactory. To ensure that land sites/premises, which are a valuable resource, are granted to the most suitable institutions, there might be circumstances under which the advice of the Vetting Committee needs to be sought in assessing renewal applications to ensure that renewals are properly granted. For example:

- (a) in a renewal application of November 2014, the SFPP's actual student enrolment of the locally-accredited sub-degree programmes (Note 13) showed a trend of falling short of the expected number in recent years (see Table 2). The responsible Principal Assistant Secretary approved the renewal application on the grounds that the EDB was satisfied with the new Educational Development Proposal submitted by the SFPP. In this renewal case, advice from the Vetting Committee could have been sought before approving the renewal application; and

Note 13: *In addition to the locally-accredited sub-degree programmes, the EDB also approved the SFPP to operate thereat other programmes which were not considered compulsory.*

Table 2

**Variance between expected and actual number
of student enrolment of the locally-accredited
sub-degree programmes of an SFPP**

Year	No. of student enrolment		
	Expected	Actual	Shortfall
2009/10	1,434	1,172	262 (18%)
2010/11	1,434	1,626	-192 (-13%)
2011/12	1,434	1,295	139 (10%)
2012/13	1,434	1,283	151 (11%)
2013/14	1,434	1,192	242 (17%)
2014/15	1,434	1,039	395 (28%)

Source: EDB records

Remarks: The SFPP commenced operation in 2009/10.

- (b) in another renewal application of August 2013, the Lands Department identified breaches of the Conditions of Grant by the SFPP whereby the gross floor area (16,663 square metres) of the premises exceeded the allowable area (15,577 square metres) as stated in the Conditions of Grant by 1,086 square metres and there was under-provision of car park spaces. The SFPP therefore proposed a lease modification. The responsible Principal Assistant Secretary supported the proposal. As at 31 July 2016, the Lands Department was reviewing the case. In this renewal case, advice from the Vetting Committee could have been sought before giving the support.

Audit recommendations

- 2.10 **Audit has *recommended* that the Secretary for Education should:**
- (a) **issue guidelines promulgating circumstances under which the advice of the Vetting Committee should be sought in assessing LGS renewal applications to ensure that renewals are properly granted; and**
 - (b) **seek the advice of the Vetting Committee in assessing LGS renewal applications where circumstances warrant.**

Response from the Government

2.11 The Secretary for Education agrees with the audit recommendations. He has said that the EDB will prepare guidelines specifying circumstances under which the advice of the Vetting Committee should be sought in assessing renewal applications and seek the advice of the Vetting Committee on such cases.

Unspent SLS loan balances

2.12 Prior to July 2006, there was no provision in the SLS Loan Agreement that the borrower was required to return, after the completion of a project (e.g. for refurbishment of a premises), unspent loan balance to the Government in a lump sum. Borrowers were only required to continue to repay their loans by instalments until the full amounts of the loans were settled. In July 2006, the EDB revised the Loan Agreement to require the borrowers to repay the Government on demand, in a lump sum, unspent loan balances two years after the final drawdown of the loans.

Need to ascertain the actual project costs

2.13 To identify SLS loans with unspent balances, the EDB compares the amount of loan granted with the actual project cost, which is required to be reported by borrowers in their Annual Progress Reports (see para. 2.3). As at 31 March 2016, of the 26 outstanding SLS loans, 18 Loan Agreements were executed in or after July 2006 and therefore were required to return any unspent loan balances. Audit examination of these 18 loans revealed that:

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- (a) the EDB identified unspent loan balance in one of 16 loans. The borrower returned the unspent amount of \$8.8 million to the Government in May 2016. For the other 15 loans, the EDB did not identify any unspent loan balances; and
- (b) in the remaining two loans, the EDB could not identify whether there were any unspent loan balances due to the following reasons:
 - (i) in one loan amounting to \$32 million, although the borrower signed the Loan Agreement after July 2006 (in February 2007), the borrower was not required to submit the Annual Progress Report (the requirement for the submission of the Report for SLS loans has only been added since May 2012). The EDB, therefore, was unable to ascertain whether there was any unspent loan balance; and
 - (ii) in the other loan amounting to \$40 million for the refurbishment of a premises granted under the LGS, as the Government did not enter into any legally binding agreements with SFPP C (see para. 7 of Case 1 in para. 2.5), SFPP C was not required to submit the Annual Progress Report and therefore the EDB could not ascertain the actual cost of the project to identify whether there was any unspent loan balance.

Need to ensure the accuracy of reported project costs

2.14 The EDB mainly relies on the project costs reported in the Annual Progress Reports provided by borrowers to identify unspent loan balances. The EDB did not require borrowers to submit certified accounts for their projects. It was, therefore, uncertain whether the project costs as reported in the Annual Progress Reports were accurate. In fact, Audit noted that in one SLS loan, the borrower reported that the project cost was \$3.8 million to the EDB. However, eight months later, upon EDB's follow-up enquiries, the borrower informed the EDB that the cost should be \$2 million.

Audit recommendations

- 2.15 **Audit has recommended that the Secretary for Education should:**
- (a) **for all SLS borrowers, ascertain whether there are any unspent loan balances that should be returned to the Government; and**
 - (b) **take measures to ensure the accuracy of the project costs reported by SLS borrowers.**

Response from the Government

2.16 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) all SLS borrowers have been requested to submit final accounts (either certified by the borrowing institutions or their project consultants) in relation to the concerned construction/renovation projects upon completion so as to ascertain whether there are any unspent loan balances. The two SLS borrowers as quoted by Audit under paragraph 2.13(b) had already submitted to the EDB in August and September 2016 the final accounts in relation to their concerned construction/renovation projects. The EDB has ascertained the actual total project costs for comparison with the loan amounts and confirmed that there were no unspent loan balances; and
- (b) while SLS borrowers should ensure that the information provided under the Annual Progress Reports/final accounts is true and accurate, and the EDB has been following up on suspected cases (the case quoted under paragraph 2.14 is an example), the EDB will take further measures to ensure the accuracy of the project costs reported by SLS borrowers.

PART 3: ADMINISTRATION OF SELF-FINANCING POST-SECONDARY EDUCATION FUND AND MATCHING GRANT SCHEME

3.1 This PART examines the SPEF and the MGS. Audit found room for improvement in the following areas:

- (a) administration of the SPEF (paras. 3.2 to 3.24); and
- (b) administration of the MGS (paras. 3.25 to 3.34).

Administration of the SPEF

3.2 The SPEF was set up under the Permanent Secretary for Education Incorporated (see Note 1 in Table 1 in para. 1.6). The SPEF Steering Committee (Note 14) advises the Secretary for Education on the overall strategy for making use of the SPEF to enhance the quality of self-financing post-secondary education. The Committee also advises him on the strategy, scope and parameters of the two funding schemes that operate under the SPEF:

- (a) *the Quality Enhancement Support Scheme (QESS)*. The QESS provides funding support for SFPPs' non-works projects aiming at enhancing the quality of self-financing post-secondary education. Three bodies related to the self-financing post-secondary education sector, namely the HKCAAVQ, the Joint Quality Review Committee (JQRC — see para. 4.9(c)) and the Federation for Self-financing Tertiary Education (FSTE — Note 15) are also eligible to apply for QESS funding; and

Note 14: *As at 1 September 2016, the SPEF Steering Committee comprised one non-official chairman, six non-official members and one official member (the Principal Assistant Secretary (Further Education) of the EDB).*

Note 15: *The FSTE was established in 1994. It is a coalition of non-profit making self-financing tertiary education institutions in Hong Kong. It aims to advance the quality and standards of sub-degree and degree education as well as continuing and professional studies in Hong Kong.*

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- (b) *the Self-financing Post-secondary Scholarship Scheme (SPSS)*. The SPSS offers scholarships/awards to outstanding local and non-local students pursuing full-time locally-accredited self-financing sub-degree or undergraduate programmes at SFPPs.

Applications for QESS funding

3.3 In October or November every year, the EDB invites the SFPPs, the HKCAAVQ, the JQRC and the FSTE to apply for QESS funding. From the inception of the QESS in November 2012, four rounds of applications had been invited. The latest round was carried out in October 2015. The QESS sub-committee comprising members drawn from the SPEF Steering Committee assesses applications and makes recommendations to the Permanent Secretary for Education for funding approval.

3.4 The QESS funds three types of projects:

- (a) *theme-based projects*. For these projects, themes (e.g. initiatives for improving teaching methodology and learning environment for students with special educational needs or non-Chinese speaking students) are set by the SPEF Steering Committee in each round of application. To achieve cost-effectiveness and to benefit the self-financing post-secondary education sector as far as possible, theme-based projects are normally carried out by more than one SFPP (for example, the development of an online collection-sharing and information discovery system by five SFPPs that enabled their faculty members and students to find and access library and e-book collections through a one-stop search interface). For each successful application, a maximum of \$30 million may be granted for each academic year up to three years. A project should normally be completed within three years from the date of receipt of the grant;

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- (b) *non-theme-based projects.* These projects should fall within the scope of the QESS (Note 16). For each successful application, a maximum of \$2 million (for individual project) or \$4 million (for joint/sector-wide project) may be granted. A project should normally be completed within three years from the date of receipt of the grant; and

- (c) *industrial attachment projects.* Funding for industrial attachment projects was introduced in January 2016. These projects aim to source more internship opportunities for students or to enhance relevant institutional support to students. There is no limit on the amount of grant. Successful projects may be funded for up to three years.

3.5 From the inception of the QESS in November 2012 to March 2016, three rounds of applications (from 2012/13 to 2014/15) were completed. Of the 93 applications, 30 projects amounting to \$136 million were approved (see Table 3).

Note 16: *The scope of the QESS includes: (a) improvement to the overall learning experience and language proficiency of students; (b) development and improvement of teaching methodology and practices, including development of assessment strategies; (c) strengthening and improvement of quality assurance and related measures; and (d) enhancing student support and career guidance services, including support for students with special educational needs and non-Chinese speaking students.*

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Table 3
Approved QESS projects
(31 March 2016)

Grantee	No. of projects (Amount of funding granted)		
	Theme-based projects	Non-theme- based projects	Total
SFPPs operating under the aegis of the eight UGC-funded universities (see para. 1.4(a))	Nil	Nil	Nil
SFPPs registered under the Post Secondary Colleges Ordinance (see para. 1.4(b))	Nil	15 (\$26 million)	15 (\$26 million)
SFPPs registered under the Education Ordinance (see para. 1.4(c))	Nil	2 (\$3 million)	2 (\$3 million)
SFPPs that are statutory institutions or their subsidiaries (see para. 1.4(d))	Nil	3 (\$5 million)	3 (\$5 million)
SFPP providing self-financing locally-accredited non-local undergraduate programmes (see para. 1.4(e))	Nil	Nil	Nil
Joint institution projects (see para. 3.4(a))	4 (\$82 million)	Nil	4 (\$82 million)
HKCAAVQ, JQRC and FSTE (see para. 3.2(a))	Nil	6 (\$20 million)	6 (\$20 million)
Total	4 (\$82 million)	26 (\$54 million)	30 (\$136 million)

Source: EDB records

Remarks: As funding for industrial attachment projects was only introduced in January 2016, no such projects had been approved as at 31 March 2016.

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Need to encourage applications from more SFPPs

3.6 Since 2012/13, the EDB has provided briefing sessions to SFPPs to facilitate their preparation of QESS applications. With effect from 2015/16, successful applicants have been invited to share their experience during such sessions. Audit analysed the number of QESS applications received in the period from 2012/13 to 2015/16. Audit found that the number dropped from 39 applications in 2012/13 to 28 in 2014/15 but rose to 32 (excluding 12 applications for industrial attachment projects introduced in January 2016) in 2015/16 (see Table 4).

Table 4
Applications for QESS funding
(2012/13 to 2015/16)

Year	No. of applications (Amount of funding applied)			
	Theme-based projects	Non-theme-based projects	Industrial attachment projects	Total
2012/13	5 (\$91 million)	34 (\$70 million)	N.A. (Note)	39 (\$161 million)
2013/14	2 (\$95 million)	24 (\$51 million)		26 (\$146 million)
2014/15	4 (\$81 million)	24 (\$48 million)		28 (\$129 million)
2015/16	4 (\$110 million)	28 (\$58 million)	12 (\$78 million)	44 (\$246 million)
Total	15 (\$377 million)	110 (\$227 million)	12 (\$78 million)	137 (\$682 million)

Source: EDB records

Note: Industrial attachment projects were introduced in January 2016 (see para. 3.4(c)).

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3.7 In response to Audit's enquiry, the EDB informed Audit that application for the QESS is completely voluntary and the EDB has been actively promoting the QESS through talks, letters and press release, etc. Before 2015, most SFPPs under the aegis of UGC-funded universities did not apply mainly because the QESS required them to sign an undertaking to join the external quality assurance audit on their sub-degree operations (see para. 4.12(a)). Since 2015/16, the EDB has removed such an undertaking requirement because the universities generally agreed to subject their sub-degree operations to periodic external quality assurance audits (see para. 4.13). Six SFPPs under the aegis of the universities submitted applications in 2015/16. Nevertheless, Audit noted that from 2012/13 to 2015/16, 11 (28%) of the 40 SFPPs had never submitted QESS applications (Note 17). To enhance the quality of self-financing post-secondary education, Audit considers that the EDB needs to encourage applications from the SFPPs that had not submitted applications.

Need to provide support to unsuccessful applicants

3.8 In the period from 2012/13 to 2014/15, of the 89 QESS applications (Note 18), 59 (66%) had not been successful (see Table 5 — Note 19). Audit noted that in 2012/13, the EDB had notified unsuccessful applicants the areas in which improvements could be made. However, for the subsequent years, the EDB only informed the unsuccessful applicants that their applications were not successful. Audit considers that the EDB needs to provide feedback to unsuccessful QESS applicants on ways to improve so as to facilitate their future applications.

Note 17: *Of the 11 SFPPs, two started operation in 2014/15 and one in 2015/16.*

Note 18: *The 89 QESS applications excluded three applications that were withdrawn before the QESS sub-committee's assessment and one approved application that was subsequently withdrawn.*

Note 19: *Up to 31 July 2016, decisions on 2015/16 QESS applications had not yet been finalised.*

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Table 5

**Successful and unsuccessful QESS applications
(2012/13 to 2014/15)**

Year	Successful applications		Unsuccessful applications	
	No.	Percentage	No.	Percentage
2012/13	11	30%	26	70%
2013/14	11	44%	14	56%
2014/15	8	30%	19	70%
Overall	30	34%	59	66%

Source: EDB records

Monitoring of QESS projects

3.9 According to the QESS application guidelines and project agreements, grantees of QESS funding are required to submit the following to the EDB:

- (a) progress reports every six months. The progress report should include information on progress of project implementation and attainment of project milestones and deliverables;
- (b) a final evaluation report within three months after the project completion. The final evaluation report should include information on project outcomes and deliverables, and self-evaluation of project effectiveness; and
- (c) audited accounts of the project within three months after the project completion.

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Need to ensure timely submission of progress reports and final evaluation reports

3.10 As at 31 May 2016, of the 30 approved QESS projects (see Table 5 in para. 3.8), two projects had just commenced and one project had not yet commenced. Therefore, their progress reports were not yet due. For the remaining 27 projects, 74 progress reports and six final evaluation reports were due for submission. Audit found that there were delays (see Table 6) in the submission of:

- (a) 40 (54%) of the 74 progress reports. The delays ranged from one day to 196 days (averaging 37 days); and
- (b) four (67%) of the six final evaluation reports. The delays ranged from four days to 92 days (averaging 40 days).

Table 6

Submission of progress reports and final evaluation reports by QESS grantees (31 May 2016)

Delay	Progress report		Final evaluation report	
	No.	Percentage	No.	Percentage
No delay	34	46%	2	33%
≤ 1 month	24	32%	2	33%
> 1 month to 3 months	13	18%	1	17%
> 3 months to 6 months	2	3%	1	17%
> 6 months to 12 months	1	1%	N.A.	N.A.
Total	74	100%	6	100%

Source: Audit analysis of EDB records

3.11 According to the EDB, some grantees submitted their reports late because they chose to submit after achieving the relevant project milestones. For proper and timely monitoring of QESS projects, the EDB needs to take measures to ensure that progress reports and final evaluation reports are submitted by grantees in accordance with the QESS application guidelines and project agreements.

***Need to enhance the quality of progress reports
and final evaluation reports***

3.12 Audit further examined 10 of the 27 projects (see para. 3.10) involving 27 progress reports and five final evaluation reports. Audit noted that 22 (81%) of the 27 progress reports and all the three final evaluation reports required resubmission (the other two final evaluation reports were overdue and not yet received up to 31 May 2016).

3.13 Resubmission of progress reports and final evaluation reports increases the workload of grantees and the EDB. Furthermore, it delays the disbursement of QESS funds to grantees because apart from the upfront payment made upon acceptance of grants, subsequent funds are only disbursed after the reports have been accepted by the EDB. While recognising the EDB's efforts in ensuring up-to-standard reports, Audit considers that the EDB needs to take measures to help grantees improve the quality of their reports to minimise rework (e.g. by issuing guidelines and organising workshops for them).

Unspent funds not returned in a timely manner

3.14 According to the QESS application guidelines, grantees should return unspent QESS funds to the EDB within three months after the completion of projects. As at 31 May 2016, of the 30 approved QESS projects, four were completed with the final evaluation reports and audited accounts submitted to the EDB. Of these four projects, two (50%) had unspent funds of \$65,871 and \$173,404 respectively. Audit noted that the return of unspent fund (\$65,871) by the grantee of one of the projects was delayed. The delay was 140 days. The EDB needs to take measures to ensure that grantees return unspent QESS funds in a timely manner (e.g. issuing reminders to the grantees).

Administration of the SPSS

3.15 The SPSS aims to give recognition to students with outstanding academic performance or achievements/talents in non-academic fields. It also aims to attract outstanding students to pursue studies in self-financing post-secondary education programmes. Every year, the EDB invites SFPPs to nominate students for SPSS scholarships/awards. Nominations are considered by a sub-committee for

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SPSS comprising members of the SPEF Steering Committee and submitted to the Permanent Secretary for Education for funding approval based on the sub-committee's recommendations. As at 31 March 2016, some 16,100 scholarships/awards amounting to \$308 million (averaging \$19,000 per scholarship/award) had been granted.

3.16 Under the SPSS, there are five kinds of scholarships/awards:

- (a) ***Outstanding Performance Scholarship.*** This scholarship has been introduced since 2011/12 for students with outstanding academic achievements;
- (b) ***Best Progress Award.*** This award has been introduced since 2011/12 to encourage and recognise students with significant academic progress and improvement;
- (c) ***Talent Development Scholarship.*** This scholarship has been provided since 2012/13 to students who have demonstrated achievements or talent in non-academic fields (e.g. music and performing arts, sports and games);
- (d) ***Reaching Out Award (ROA).*** This award has been introduced since 2012/13 to support meritorious students who are nominated by SFPPs to participate in outreaching activities conducted outside Hong Kong. Activities include participation in learning, internship or service programmes, or national, regional and international events and competitions; and
- (e) ***Endeavour Scholarship.*** This scholarship has been introduced since 2013/14 to give recognition to deserving post-secondary students with special educational needs in their pursuit of excellence in academic and other fields.

Administration of Self-financing Post-secondary Education Fund and Matching Grant Scheme

3.17 For the Outstanding Performance Scholarship, the amounts of scholarships for local and non-local students pursuing an undergraduate degree are set at \$40,000 and \$80,000 respectively, while the amount is set at \$30,000 for both local and non-local students pursuing a sub-degree. For the other four Scholarships/Awards, the amount is set at \$10,000 for both local and non-local students pursuing an undergraduate or sub-degree programme.

Need to review periodically the amounts and attractiveness of scholarships/awards

3.18 In the period from 2011 (year of inception of the SPSS) to 2015, the Composite Consumer Price Index rose by 17%. Audit, however, found that since the introduction of the various Scholarships/Awards, the EDB has not conducted any reviews on the amounts of Scholarships/Awards. The SPSS aims to attract outstanding students to pursue studies in self-financing post-secondary education programmes (see para. 3.15) and enrolment of students in the programmes has been on the decrease (see para. 4.23). In order to maintain the attractiveness of the Scholarships/Awards, the EDB needs to review periodically the amounts and the attractiveness of the Scholarships/Awards. In response to Audit's enquiry, the EDB said that there has been an established mechanism for reviewing the amounts of SPSS Scholarships/Awards, i.e. by consulting the SPEF Steering Committee. It had consulted the SPEF Steering Committee on the amounts of SPSS Scholarships/Awards at the committee meeting on 2 September 2016 and members considered that the status quo should be maintained. The level of scholarship monies was agreed by the SPEF Steering Committee with reference to the investment returns of the Fund and amount of scholarships in other similar government funds.

Need to review the reasons for failing to fulfil ROA requirements

3.19 The amounts of Scholarships/Awards are disbursed by the EDB to SFIs/SFPPs, which will then be paid to the students. Audit noted that there were cases where the amounts could not be paid to the students because they had left the SFIs/SFPPs and could not be contacted, or the students had not participated in outreaching activities outside Hong Kong as required by the ROA. The unpaid amounts were retained by the SFIs/SFPPs and would be used to offset the amounts of Scholarships/Awards to be disbursed by the EDB to the SFIs/SFPPs in the next SPSS funding year.

Administration of Self-financing Post-secondary Education Fund and Matching Grant Scheme

3.20 The unpaid amounts retained by SFIs/SFPPs had increased by 466%, from \$680,000 in 2012/13 to \$3,850,000 in 2014/15. Audit conducted an analysis of the unpaid amounts and found that of the \$3,850,000, \$3,750,000 (97%) (Note 20) was designated for awards to 375 (23% of the 1,635 awardees) students under the ROA but was retained by SFIs/SFPPs as the students had not fulfilled the aforesaid participation requirement. Audit considers that the EDB needs to:

- (a) review the reasons why so many students had not participated in the outreaching activities; and
- (b) in the light of the results of the review, instigate appropriate action to address the issue.

Need to monitor the investment returns of the SPEF and endeavour to achieve the target investment return

3.21 Since the establishment of the SPEF in August 2011, the Government has injected \$3.52 billion into the Fund (Note 21). This amount is used as capital to generate investment returns to provide on-going and sustainable funding for the operation of the QESS and the SPSS. Investment plans are formulated by the SPEF Investment Committee (Note 22) and approved by the Permanent Secretary for Education. A long-term target investment return of 5% has been set for the SPEF.

Note 20: *The remaining \$100,000 (3% of the amount of \$3,850,000) comprised scholarships of \$60,000 and \$40,000 to be granted to students under the Outstanding Performance Scholarship and the Talent Development Scholarship respectively.*

Note 21: *The Government injected \$2.5 billion in November 2011 followed by \$1 billion in August 2012 and \$20 million in August 2013.*

Note 22: *The SPEF Investment Committee comprises the Secretary for Education or his representative as the chairman, three non-official members and two official members (the Permanent Secretary for Education or her representative, and the Director of Accounting Services or his representative). It is responsible for setting the policies for and monitoring the investment of the SPEF, and advising on the appointment of investment managers.*

Administration of Self-financing Post-secondary Education Fund and Matching Grant Scheme

3.22 Audit noted that for the four years from the establishment of the SPEF in August 2011 to August 2015 (financial year ends on 31 August), the annual return of the SPEF ranged from -2.5% to 8.9% . The annualised return for the four-year period was 2.1% , which was lower than the long-term target investment return of 5% (see Table 7). Moreover, as at 31 August 2015, after cumulative grant payments of \$289 million since establishment, the fund balance of the SPEF decreased by \$11 million as compared to the injected capital. According to the EDB:

- (a) the decrease was mainly due to changes in the fair value of the financial assets;
- (b) while the long-term target of investment return is set at 5% , the actual investment performance in any particular year would depend much on the conditions of investment markets;
- (c) there has been an established mechanism for reviewing the investment strategy of the SPEF and monitoring the investment of the Fund, i.e. by consulting the SPEF Investment Committee from time to time; and
- (d) changes had been made to the investment strategy in the past by taking into account the latest circumstances.

Audit considers that the EDB needs to continue to monitor the investment returns of the SPEF and endeavour to achieve the target investment return as far as possible.

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Table 7

Achievement of target rate of investment return (5%) by the SPEF (August 2011 to August 2015)

Year	Investment return	Achievement of target
August 2011 to August 2012	1.1%	No
September 2012 to August 2013	1.2%	No
September 2013 to August 2014	8.9%	Yes
September 2014 to August 2015	-2.5%	No
Annualised return	2.1%	No

Source: *Audit analysis of EDB records*

Remarks: *Two equity investment managers were appointed in June 2013 and one bond investment manager was appointed in August 2014. Prior to the appointments of the managers in June 2013, the seed money of the SPEF was placed in bank deposits.*

Audit recommendations

- 3.23 **Audit has recommended that the Secretary for Education should:**
- (a) **ascertain why some SFPPs have not participated in the QESS;**
 - (b) **take measures to encourage SFPPs to apply for QESS funding;**
 - (c) **provide feedback to unsuccessful QESS applicants on ways to improve so as to facilitate their future applications;**
 - (d) **take measures to ensure that progress reports and final evaluation reports are submitted by QESS grantees in accordance with the QESS application guidelines and project agreements;**
 - (e) **take measures to help QESS grantees improve the quality of their progress reports and final evaluation reports;**

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- (f) **take measures to ensure that grantees return unspent QESS funds in a timely manner;**
- (g) **review periodically the amounts of SPSS Scholarships/Awards to maintain the attractiveness of the Scholarships/Awards;**
- (h) **review why so many students had not participated in the required outreaching activities of the ROA;**
- (i) **in the light of the results of the review, instigate appropriate action to address the issue; and**
- (j) **continue to monitor the investment returns of the SPEF and endeavour to achieve the target rate of return.**

Response from the Government

3.24 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) while students of non-participating SFPPs may also benefit from projects approved for other SFPPs, in particular those with the same mother SFI, the EDB will communicate with SFPPs about their views on participation in the QESS, and will continue to actively promote the QESS through various means;
- (b) the EDB will indicate the areas in which improvements could be made to all unsuccessful QESS applicants to supplement the current approach of direct conversation between both parties;
- (c) the EDB will continue to issue reminders to QESS grantees for late submissions of progress reports and final evaluation reports, and follow up on delays in implementation progress while being mindful that timeliness in submission of reports should not compromise proper execution of the approved projects to achieve the agreed milestones;

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- (d) while the EDB has been closely communicating with QESS grantees individually to ensure the progress reports and final evaluation reports meet the relevant requirements given the varying contents and scopes of approved projects, the EDB will cover the submission of reports in the annual briefing on the QESS for SFPPs;
- (e) although the QESS guidelines specify that unspent funds have to be returned to the EDB within three months after project completion, i.e. the same deadline for submitting final evaluation reports, it is the practice that refund cheques for unspent QESS funds will not be processed immediately upon receipt until the amounts have been verified and confirmed after acceptance of the final evaluation reports by the EDB. The EDB has revised the QESS guidelines in October 2016 to the effect that any unspent funds should be returned within one month after acceptance of the final evaluation reports;
- (f) the EDB will continue to consult the SPEF Steering Committee from time to time on the amount of SPSS Scholarships/Awards alongside other parameters of the SPSS;
- (g) the EDB will look into ways to work with SFPPs so that they would assist their awardees to complete the activities, while noting that outreaching activities to be completed by awardees of the ROA are planned in advance and subject to changes as allowed upon request under the SPSS guidelines; and
- (h) the EDB will continue to follow the established mechanism to consult the SPEF Investment Committee from time to time on reviewing the investment strategy for the SPEF, including the target rate of return.

Administration of the MGS

3.25 The MGS is not a recurrent exercise. Since July 2003, six rounds of MGS funding have been launched. Through the six rounds, a total of \$7.4 billion had been granted to 17 institutions (see Note 4 in Table 1 in para. 1.6) to match against a total of \$14.8 billion of private donations secured by the institutions. The latest round (the sixth round) of funding was conducted from August 2012 to July 2014. In the latest round, the Government granted \$1 for every \$1 of private donation, up to \$60 million. Beyond the \$60 million, the Government granted \$1 for every \$2 of private donation, subject to a maximum of \$600 million of grant per institution.

Need to enhance assistance to institutions other than the UGC-funded universities

3.26 In May 2006, in deliberating the third round of MGS funding, members of the Panel on Education of the LegCo raised concern that reputable institutions with a long history were more capable of raising funds than those with a shorter history and urged the Government to ensure a fair distribution of MGS grants among institutions. The EDB responded that fund-raising capabilities were not related to the size and age of the institutions but would depend on the support from the stakeholders and the community. The EDB had instigated measures aiming at giving the smaller and younger institutions a better chance of securing MGS grants. The measures comprised imposing a “ceiling” and a “floor” for the MGS grants. “Ceiling” was the upper limit of grant receivable by an institution. “Floor” was the minimum amount of grant set aside for matching by an institution for a stipulated period beyond which the unmatched amount would be opened up for other institutions on a first-come-first-served basis. For the sixth round of MGS funding, the “ceiling” and the “floor” were set at \$600 million and \$60 million respectively.

3.27 Audit analysed the private donations and the MGS grants received by the institutions in the sixth round of MGS funding. Audit found that, despite the measures, the majority of the MGS grants were allocated to the eight UGC-funded universities (see Table 8). There is a need for the EDB to explore more effective ways to assist other institutions to secure MGS grants, if a new round of MGS funding is launched in future.

**Administration of Self-financing Post-secondary
Education Fund and Matching Grant Scheme**

Table 8

**Private donations and MGS grants received by institutions
(Sixth round of MGS funding)**

Institutions	Private donation (\$ million)	MGS grant		
		Publicly- funded operations (\$ million)	Self- financing operations (\$ million)	Total (\$ million)
Eight UGC-funded universities	5,012 (90%)	2,036	18	2,054 (82%)
Nine non-UGC-funded institutions (see para. 1.5(f) — Note)	529 (10%)	75	369	444 (18%)
Total	5,539 (100%)	2,500 (100%)		

Source: UGC records

Note: The nine institutions comprised the Caritas Institute of Higher Education, the Centennial College, the Chu Hai College of Higher Education, the Hang Seng Management College, The Hong Kong Academy for Performing Arts, the Hong Kong Shue Yan University, The Open University of Hong Kong, the Tung Wah College and the Vocational Training Council.

Remarks: Figures may not add up due to rounding.

Need to improve the monitoring of MGS grants

3.28 For accountability and transparency purposes, in seeking approval for the sixth round of MGS funding by the Finance Committee in June 2012, the EDB informed the Committee that:

- (a) institutions receiving MGS grants were required to disclose to the UGC information on private donations, and the use of MGS grants and private donations. For publicly-funded institutions, private donations and MGS grants for publicly-funded and self-financing operations should be segregated for accounting purpose;

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- (b) the use of private donations and MGS grants would be subject to audit assurance. On an annual basis, auditors would confirm to the UGC in their auditors' reports that the conditions of the MGS grants were met; and
- (c) institutions would ensure the cost-effectiveness of the MGS grants to be spent.

Audit found room for improvement in complying with the above requirements by institutions, as detailed in paragraphs 3.29 and 3.30.

3.29 ***Submission of auditors' reports.*** Audit examined the submission of auditors' reports for 2014/15 by the 17 institutions (see para. 3.25). Audit found that, as at 31 July 2016, 15 institutions had submitted auditors' reports certifying that the institutions had complied with the conditions of the MGS grants. However, the auditors' reports of two SFIs remained outstanding (the auditor's report of one SFI was subsequently submitted in August 2016). In addition, Audit noted that the MGS operating guide has not specified a deadline for submitting auditors' reports by institutions. The UGC needs to follow up with the SFI concerned for submission of the auditor's report. Furthermore, it needs to specify a deadline for the submission if a new round of MGS funding is launched in future.

3.30 ***Cost-effectiveness of MGS grants.*** Institutions receiving MGS grants would need to ensure the cost-effectiveness of the grants to be spent (see para. 3.28(c)). Audit, however, noted that there was no mechanism in place to verify that the institutions had done so. The UGC, in collaboration with the EDB, needs to establish a verification mechanism to ensure that MGS grants are spent by institutions in a cost-effective manner if a new round of MGS funding is launched.

Audit recommendations

3.31 **Audit has recommended that the Secretary for Education should explore more effective ways to assist institutions other than the UGC-funded universities to secure MGS grants in future rounds of MGS funding, if launched.**

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3.32 **Audit has recommended that the Secretary-General, University Grants Committee should:**

- (a) **follow up with the SFI that has not submitted the auditor's report; and**
- (b) **if a new round of MGS funding is launched, in collaboration with the Secretary for Education, specify a deadline for submission of auditors' reports and establish a mechanism to verify that MGS grants are spent by institutions in a cost-effective manner.**

Response from the Government

3.33 The Secretary for Education agrees with the audit recommendations.

3.34 The Secretary-General, University Grants Committee agrees with the audit recommendations. He has said that:

- (a) the UGC Secretariat has followed up with the SFI which has not yet submitted the auditor's report, and was advised that assurance reports for the years ended 31 August 2015 and 2016 would be ready for submission in December 2016; and
- (b) the role of the UGC Secretariat in the MGS is to assist the EDB in administering the Scheme, which mainly includes processing of applications, handling disbursements of grants to participating institutions, etc. If a new round of MGS funding is launched and if invited by the EDB, the UGC Secretariat will continue to assist in administering the Scheme in accordance with the rules and guidelines drawn up by the EDB, including following up on the submission of auditors' reports by participating institutions in accordance with prescribed deadlines.

PART 4: WAY FORWARD

4.1 This PART examines the way forward for the government assistance schemes for self-financing post-secondary education sector.

Latest development of the self-financing post-secondary education sector

Implementation of the Code of Good Practices on Governance and Quality Assurance

4.2 In a panel paper submitted by the EDB to the LegCo Panel on Education in June 2015, it was stated that as the Government has implemented assistance schemes to support the healthy and sustainable development of the self-financing post-secondary education sector, there is an expectation in the community for SFIs to be transparent and accountable to the public. Based on this rationale, the Committee of Self-financing Post-secondary Education (CSPE — Note 23) was given the mandate to develop the Code of Good Practices on Governance and Quality Assurance (Code of Good Practices) for self-financing post-secondary education sector. As the SFIs do not receive recurrent subvention from the Government save for the funding provided by the assistance schemes, in developing the Code of Good Practices, the focus was placed on safeguarding quality assurance, good governance and the interest of students.

4.3 In early June 2015, the Code of Good Practices was developed by the CSPE and submitted to the EDB for consideration. The Code of Good Practices contained a total of 27 individual good practices covering the realms of institutional governance, programme design and delivery, and staff, other resources and student support. Examples of the good practices are as follows:

Note 23: *In April 2012, the Government established the CSPE to advise the Government on the development of the self-financing post-secondary education sector from macro and strategic perspectives and serve as a platform for discussing strategic issues of common interest to the sector. As at 1 September 2016, the CSPE comprised a chairman, five non-official members and nine ex-officio members. Members mainly include representatives from the education sector, and one representative from each of the EDB, the HKCAAVQ and the UGC.*

Way forward

Institutional governance

- (a) abstracts of the strategic and operational plans which contain high level expected goals and performance outcomes should be published periodically;
- (b) institutions should compile and publish annual reports containing, among others, a review of activities undertaken during the year and the performance of the institutions against their strategic and operational plans;
- (c) institutions should make available relevant financial information in a way that is transparent and accessible to current students and the general public;

Programme design and delivery

- (d) institutions should publish outcomes of their quality assurance and programme reviews periodically in a manner that is clear and readily accessible to stakeholders such as staff, students and employers; and

Staff, other resources and student support

- (e) institutions should publish annually information on staffing and learning and teaching facilities available to support programme delivery and student admission targets.

A complete list of the 27 good practices is available on the CSPE's website (<http://www.cspe.edu.hk/GetFile.aspx?databaseimageid=5250-0>).

4.4 In late June 2015, the Code of Good Practices developed by the CSPE was accepted by the EDB and promulgated by the CSPE for implementation by SFIs on a voluntary basis (as SFIs do not receive recurrent funding from the Government). Nevertheless, the CSPE and the EDB encourage SFIs to follow the Code of Good Practices and monitor the progress of implementation. As at 30 June 2016, the EDB has engaged the HKCAAVQ to conduct an implementation study of sector-wide compliance with the Code of Good Practices by the 28 SFIs (or 40 SFPPs — see para. 1.4).

Need to encourage SFPPs to disclose information on their websites

4.5 The Code of Good Practices aims to enhance transparency in operation and accountability of SFIs to the public. Many of the good practices set out in the Code stated that the SFIs should make available information to the students and the general public. For instance, it was stipulated in the Code that institutions should make available relevant financial information in a way that is transparent and accessible to current students and the general public. Nonetheless, the Code does not explain how the information should be made available. Audit considers that an effective way to make information available to the general public is to publish on the websites of the SFIs. In early August 2016, Audit checked whether the information stipulated in the aforesaid five good practices (see para. 4.3(a) to (e)) had been disclosed by the 40 SFPPs on their websites. Audit found that, while the information on staffing and facilities had been disclosed on most SFPPs' websites, less than one-fourth of the 40 SFPPs disclosed on their websites their strategic and operational plans, annual reports, financial information, and outcomes of quality assurance and programme reviews (see Table 9).

Table 9

Disclosure of information stipulated in five good practices of the Code of Good Practices on 40 SFPPs' websites

Good Practices	SFPP disclosing stipulated information on website		SFPP not disclosing stipulated information on website	
	Number	Percentage	Number	Percentage
Abstracts of the strategic and operational plans should be published periodically	7	18%	33	82%
Institutions should compile and publish annual reports	9	23%	31	77%
Institutions should make available financial information to current students and general public	8	20%	32	80%
Institutions should publish outcomes of their quality assurance and programme reviews	4	10%	36	90%
Institutions should publish information on staffing and learning and teaching facilities	39	98%	1	2%

Source: Audit research of the websites of 40 SFPPs

4.6 As mentioned in paragraph 4.4, the EDB has engaged the HKCAAVQ to conduct an implementation study of sector-wide compliance with the Code of Good Practices, which was expected to be completed in end 2016. In the study, the HKCAAVQ issues questionnaires, retrieves relevant documents/reports from the Companies Registry, conducts face-to-face interview, conducts online research, etc. to ascertain the extent that the Code has been implemented. The EDB needs to take into account the results of the implementation study and take measures to encourage more SFPPs to implement the Code of Good Practices. It also needs to monitor the progress of implementation. Furthermore, as the websites of the SFPPs are an important source where the public can access information on the SFPPs, Audit considers that the EDB needs to encourage the SFPPs to disclose on their websites the information stipulated in the Code of Good Practices as far as possible.

The extent of information disclosure varied significantly

4.7 To illustrate the information to be disclosed as stipulated in the Code of Good Practices, the EDB has appended a “Frequently Asked Questions” to the Code of Good Practices. However, Audit still found that the extent of information disclosure varied significantly. Some SFPPs disclosed more detailed information than others (see Figures 1 and 2).

Figure 1

Financial information disclosed by an SFPP on its website

Statements of comprehensive income AS AT 31ST MARCH 2015		
	Group 2015 \$'000	The University 2015 \$'000
OPERATING ACTIVITIES		
OPERATING INCOME		
Tuition fee income	777,749	777,749
Consultancy fee income	8,357	—
Miscellaneous income	15,371	14,052
Total operating income	801,477	791,801
OPERATING EXPENDITURE		
Academic expenditure		
Course materials	13,177	12,721
Tutors' costs	55,579	55,579
Direct student costs	24,917	24,681
Staff costs	290,805	290,805
General expenses	5,499	5,499
	389,977	389,285
Administrative expenditure		
Staff costs	225,117	223,741
General expenses	141,508	138,700
Depreciation charge	56,170	55,566
	422,795	418,007
Total operating expenditure	812,772	807,292
OPERATING RESULT	(11,295)	(15,491)

Source: SFPP's website

Figure 2

Financial information disclosed by another SFPP on its website

A summary of the consolidated operating income and expenditure in 2014-2015	
Income	
Rental Income	2%
Matching Grant and Other Grants	4%
Donation Income	7%
Investment Return	12%
Tuition and Other Fees	75%
Total	<u>100%</u>
Expenditure	
Scholarships and Student Activities	3%
Other Activities	5%
Library, Computing and Supporting Services	8%
Management General	19%
Premises and Related Expenses	24%
Academic	41%
Total	<u>100%</u>

Source: SFPP's website

4.8 Audit considers that the EDB needs to provide more guidance (e.g. illustrative examples) to SFPPs to help them enhance the transparency and comparability of their information disclosure.

Establishment of a single quality assurance body

4.9 There are three quality assurance bodies responsible for monitoring the quality of programmes provided by the post-secondary education institutions. They are:

Way forward

- (a) ***Quality Assurance Council (QAC)***. Operating under the aegis of the UGC, the Council conducts quality assurance audits covering self-financing and publicly-funded undergraduate degree or above programmes offered by the UGC-funded universities;
- (b) ***HKCAAVQ***. It is responsible for the quality assurance of programmes at all levels offered by post-secondary institutions except for those of the UGC-funded universities that are self-accredited; and
- (c) ***JQRC***. It is formed by the eight UGC-funded universities to provide peer reviews of the quality assurance processes of self-financing sub-degree programmes of these institutions.

Need to determine the way forward for establishing a single quality assurance body

4.10 In 2009, the UGC conducted a review of the post-secondary education sector in Hong Kong with a view to offering recommendations on strategies for the future development of the sector. In December 2010, the UGC submitted a report entitled “Aspirations for the Higher Education System in Hong Kong” (2010 Report) to the EDB. The 2010 Report recommended that there should be a single quality assurance body for the whole post-secondary system, which should integrate the methods and approaches of quality assessment, validation and accreditation across the system. As mentioned in the 2010 Report, the merits of such a body include:

- (a) it should help rationalise the functions currently performed by different quality assurance bodies to achieve regulatory consistency in quality assurance amidst the anticipated growth in the private sector;
- (b) it would provide a single locus for the development and execution of quality assurance policies, underpinning and reinforcing the impact of the Qualifications Framework, participation in international activities, and the development of a comprehensive communication strategy to turn the work of the body into useful and practical information for stakeholders’ reference; and

- (c) it would promote interconnection and partnership amongst different education providers, which would help the development of a more comprehensive Credit Accumulation and Transfer System, and in turn facilitate sub-degree graduates articulating to undergraduate programmes across different institutions.

4.11 In November 2011, in response to the 2010 Report's recommendation of establishing a single quality assurance body, the EDB undertook to explore the possibility of setting up such body. Over the years, the Government has taken the following administrative measures to strengthen the quality assurance mechanism for the post-secondary education sector and ensure consistency in practices among all quality assurance bodies:

- (a) establishing in 2012 the Liaison Committee on Quality Assurance (comprising representatives of the HKCAAVQ, the QAC, the JQRC and the EDB) to promote sharing of good practices among all quality assurance bodies, and to enhance consistency and transparency so as to enhance accountability;
- (b) appointing individuals with knowledge of the work of quality assurance in the post-secondary education sector of Hong Kong to the QAC, with a view to promoting clearer and closer understanding in quality assurance practices between different quality assurance bodies as far as possible; and
- (c) planning for external quality assurance audits of sub-degree operations of UGC-funded universities since 2014, with the first round of audits expected to be implemented in late 2016.

According to the EDB, given the difference in maturity of institutions in the publicly-funded and self-financing post-secondary education sector, it does not see an imminent need to pursue a single quality assurance body for the time being. Nevertheless, Audit considers that the EDB needs to keep the matter under regular review and revisit the issue when necessary.

Way forward

4.12 Audit also noted that in responding to the recommendation of establishing a single quality assurance body, the Government stated that it considered that periodic external quality assurance audits should be conducted on the sub-degree operations (including self-financing and publicly-funded operations — Note 24) of the UGC-funded universities. To this end:

- (a) the Government stipulated under the sixth round of the MGS launched in August 2012 that UGC-funded universities would need to undertake that their sub-degree operations benefitting from the MGS should be subject to such audits by the HKCAAVQ. Starting from mid-2012, UGC-funded universities participating in the LGS, the SLS and the QESS would also be required to make a similar undertaking; and
- (b) in December 2013, a working group comprising representatives from the UGC, the UGC-funded universities and the HKCAAVQ, with a representative from the EDB as an observer, was formed to plan for and oversee the implementation of such audits.

4.13 Audit, however, noted that up to 30 June 2016, no external quality assurance audit had been carried out by the HKCAAVQ because:

- (a) it was only in April 2015 that the working group completed its tasks and in June 2015 made recommendations to the EDB on the audit framework and mechanism;
- (b) it was only in September 2015 that the EDB endorsed the working group's recommendation that the UGC would be the overseeing body of the audits and the QAC would be the audit operator with participation of the HKCAAVQ in the formulation of the audit manual and nomination of members of the audit panels; and
- (c) as at 30 June 2016, the audit manual was yet to be finalised and the first round of audits was expected to be conducted in end 2016 and completed in 2019.

Note 24: *As at 30 June 2016, there were 22 full-time publicly-funded sub-degree programmes operated by three UGC-funded universities, namely the City University of Hong Kong, The Education University of Hong Kong and The Hong Kong Polytechnic University.*

4.14 Audit considers that the EDB needs to take measures to ensure that periodic external quality assurance audits on the sub-degree operations of the UGC-funded universities are carried out as planned without delay.

Arrangements for admission of students to SFIs

4.15 Before February 2012, SFIs administered their own arrangements for receiving admission applications from students and for admitting students. Students had to approach individual institutions and submit multiple applications. In February 2012, the EDB launched the Electronic Advance Application System for Post-secondary Programmes (E-APP). This Internet-based system facilitates candidates of the Hong Kong Diploma of Secondary Education Examination (HKDSEE) to lodge advance applications for post-secondary programmes not covered by the Joint University Programmes Admissions System (JUPAS — Note 25). Under E-APP, students only need to submit one application. SFIs will process E-APP applications and may give eligible candidates conditional offers before the announcement of the HKDSEE results.

Need to improve the arrangements for admission of students to SFIs

4.16 However, unlike under JUPAS where institutions are interlinked and the system operates as a unified platform for receiving applications and admitting students, thereby avoiding the offering of more than one place to students, E-APP is only a system for SFIs to receive applications. As a result, it is common that applicants are offered multiple places. Besides, JUPAS offers are only made in August while offers from SFIs are made in July or before. In the circumstances, SFIs charge an enrolment deposit to minimise the wastage of places. The deadline for payment of enrolment deposits is usually set at several days after the date of the release of HKDSEE results. Furthermore, SFIs usually require students to settle the first instalment of tuition fee before the commencement of programme. The enrolment deposit and first instalment of tuition fee will be forfeited if a student does not enroll in the programme. For the period from 2012/13 to 2015/16, the enrolment deposits and first instalment of tuition fees forfeited every year ranged from \$21 million to \$26 million (see Table 10).

Note 25: *There are nine institutions participating in JUPAS, namely the eight UGC-funded universities and The Open University of Hong Kong.*

Table 10

**Enrolment deposits and first instalment of tuition fees forfeited
(2012/13 to 2015/16)**

Year	Amount forfeited for		
	Enrolment deposits	First instalment of tuition fees	Total
	(a)	(b)	(c) = (a) + (b)
	(\$)	(\$)	(\$)
2012/13	24,461,625	1,700,220	26,161,845
2013/14	20,749,502	1,487,403	22,236,905
2014/15	20,414,808	1,649,695	22,064,503
2015/16	18,992,772	1,940,425	20,933,197
Total	84,618,707	6,777,743	91,396,450

Source: EDB records

4.17 In a paper submitted by the EDB to the LegCo Panel on Education in January 2013, the EDB undertook to examine the feasibility of enhancing E-APP to become a unified platform for application and admission of programmes with eventual convergence with JUPAS. According to the EDB, the convergence of the two systems would allow students to make one instead of two sets of applications (i.e. for entrance to the institutions covered by JUPAS and to SFIs). Furthermore, overlapping of places offered between JUPAS and E-APP as well as within E-APP would be diminished, thereby minimising the forfeiture of enrolment deposits and first instalment of tuition fees. In response to Audit's enquiry, the EDB informed Audit that JUPAS is not a government system and the JUPAS Office is not a government unit, and consensus with the JUPAS Office and the self-financing post-secondary education sector is required before the convergence of E-APP and JUPAS can be pursued. The EDB had initiated discussions with the JUPAS Office in 2014 and secured its agreement on allowing programmes subsidised under the

Study Subsidy Scheme for Designated Professions/Sectors (Note 26) starting from 2015/16 to have places allocated under JUPAS. The Government is now reviewing the Scheme and shall await the review outcome before considering further discussion with the self-financing post-secondary education sector and the JUPAS Office regarding the convergence of E-APP and JUPAS.

4.18 Audit considers that the EDB needs to examine the feasibility of enhancing E-APP to become a unified platform for application and admission of post-secondary programmes, and endeavour to facilitate the convergence of JUPAS and E-APP.

Audit recommendations

- 4.19 **Audit has recommended that the Secretary for Education should:**
- (a) **in the light of the results of the implementation study of the Code of Good Practices, consider ways to:**
 - (i) **encourage more SFPPs to adopt the Code of Good Practices;**
 - (ii) **encourage SFPPs to disclose on their websites the information stipulated in the Code of Good Practices as far as possible; and**
 - (iii) **help (e.g. provide illustrative examples) SFPPs improve their disclosure of information with a view to enhancing transparency and comparability;**
 - (b) **keep in view the latest development for the need to set up a single quality assurance body and revisit the issue when necessary;**

Note 26: *The Study Subsidy Scheme for Designated Professions/Sectors was introduced starting from 2015/16 to subsidise about 1,000 students per cohort to pursue designated full-time locally-accredited self-financing undergraduate programmes in selected disciplines to nurture talents to meet Hong Kong's social and economic needs.*

Way forward

- (c) **take measures to ensure that periodic external quality assurance audits on the sub-degree operations of the UGC-funded universities are carried out as planned without delay;**
- (d) **examine the feasibility of enhancing E-APP to become a unified platform for application and admission of post-secondary programmes; and**
- (e) **endeavour to facilitate the convergence of JUPAS and E-APP.**

Response from the Government

4.20 The Secretary for Education agrees with the audit recommendations. He has said that:

- (a) the Code of Good Practices has been promulgated for one year only and its compliance is voluntary. The EDB has engaged the HKCAAVQ to conduct an implementation study of sector-wide compliance with the Code and will review the results of the implementation study to consider whether and how SFIs/SFPPs should be further encouraged to adopt the Code and enhance their disclosure of information;
- (b) the EDB will continue to keep in view the need to set up a single quality assurance body and revisit the issue when necessary;
- (c) the EDB will ensure that periodic external quality assurance audits on the sub-degree operations of the UGC-funded universities are carried out as planned; and
- (d) the EDB will examine the feasibility of enhancing E-APP to become a unified platform for application and admission of post-secondary programmes, and explore the convergence with JUPAS subject to consensus by relevant parties after the review of the Study Subsidy Scheme for Designated Professions/Sectors.

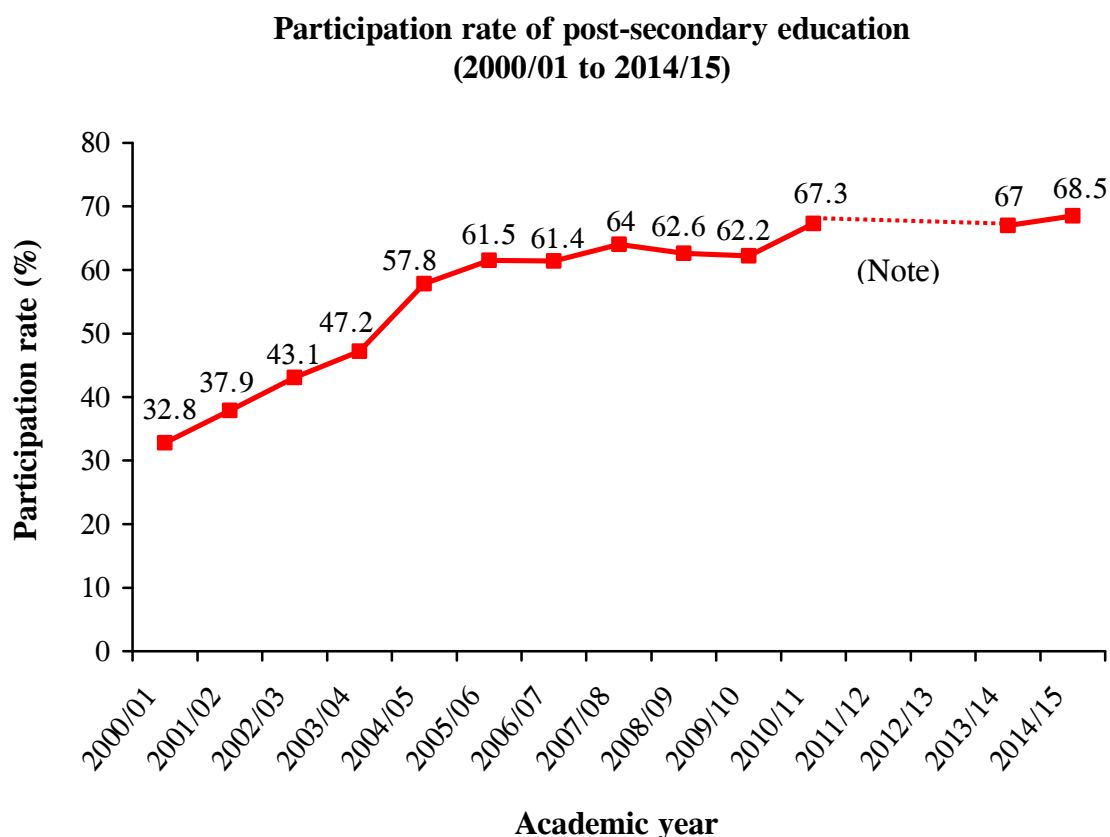
4.21 The Secretary-General, University Grants Committee agrees with the audit recommendation set out in paragraph 4.19(c). He has said that:

- (a) upon the EDB's endorsement of the working group's recommendation in September 2015, the UGC and the QAC have agreed to taking on the responsibility and begun the preparation for the conduct of the external quality assurance audit, including formulation of the audit manual, right away. In the process of formulation of the draft audit manual, two rounds of consultations of stakeholders (including the UGC-funded universities, the HKCAAVQ and the JQRC) were held in April and July 2016 respectively. The QAC had considered and endorsed the draft audit manual in September 2016; and
- (b) the Secretariat is now preparing for the publication of the audit manual, and the audit cycle will commence with promulgation of the audit manual by end 2016. In accordance with the plan, the last audit of the cycle will be completed in 2019.

Way forward for the government assistance schemes

4.22 Through the development of the self-financing education sector, the target post-secondary education participation rate of 60% as set out in the 2000 Policy Address (see para. 1.2) was achieved in 2005/06. The participation rate increased from 32.8% in the 2000/01 to 61.5% in 2005/06. In 2014/15, the rate was 68.5% (see Figure 3).

Figure 3



Source: EDB records

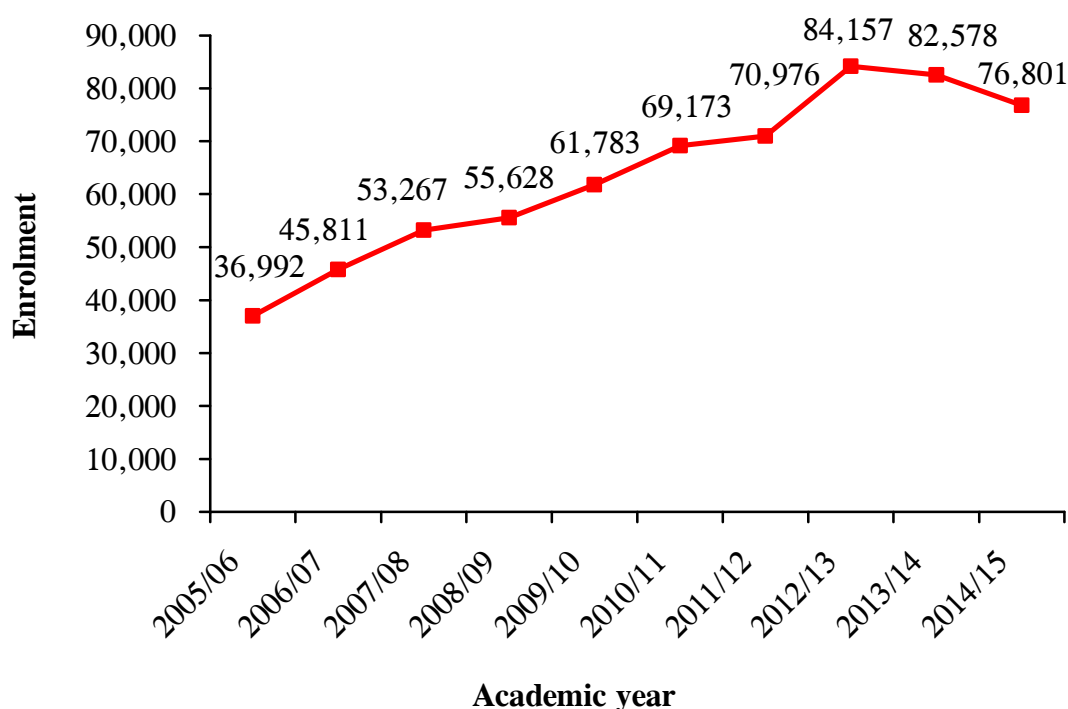
Note: The EDB did not calculate the participation rates for 2011/12 and 2012/13. This was to avoid inaccuracies in calculation as 2011/12 was a gap year where there were no secondary five graduates and 2012/13 was a double cohort year where the number of publicly-funded first-year-first-degree places offered was doubled to cater for two cohorts of senior secondary students graduating in the same year.

Decrease in enrolment of students

4.23 The self-financing post-secondary education sector underwent robust development over the past years. In the ten-year period from 2005/06 to 2014/15, the number of full-time locally-accredited self-financing post-secondary programmes offered by SFIs increased by 130% from 273 to 627, and the number of students enrolled in these programmes increased by 108% from 36,922 to 76,801. However, the enrolment of students dropped by 9% from 84,157 in 2012/13 to 76,801 in 2014/15 (see Figure 4).

Figure 4

**Enrolment of full-time locally-accredited
self-financing post-secondary programmes
(2005/06 to 2014/15)**



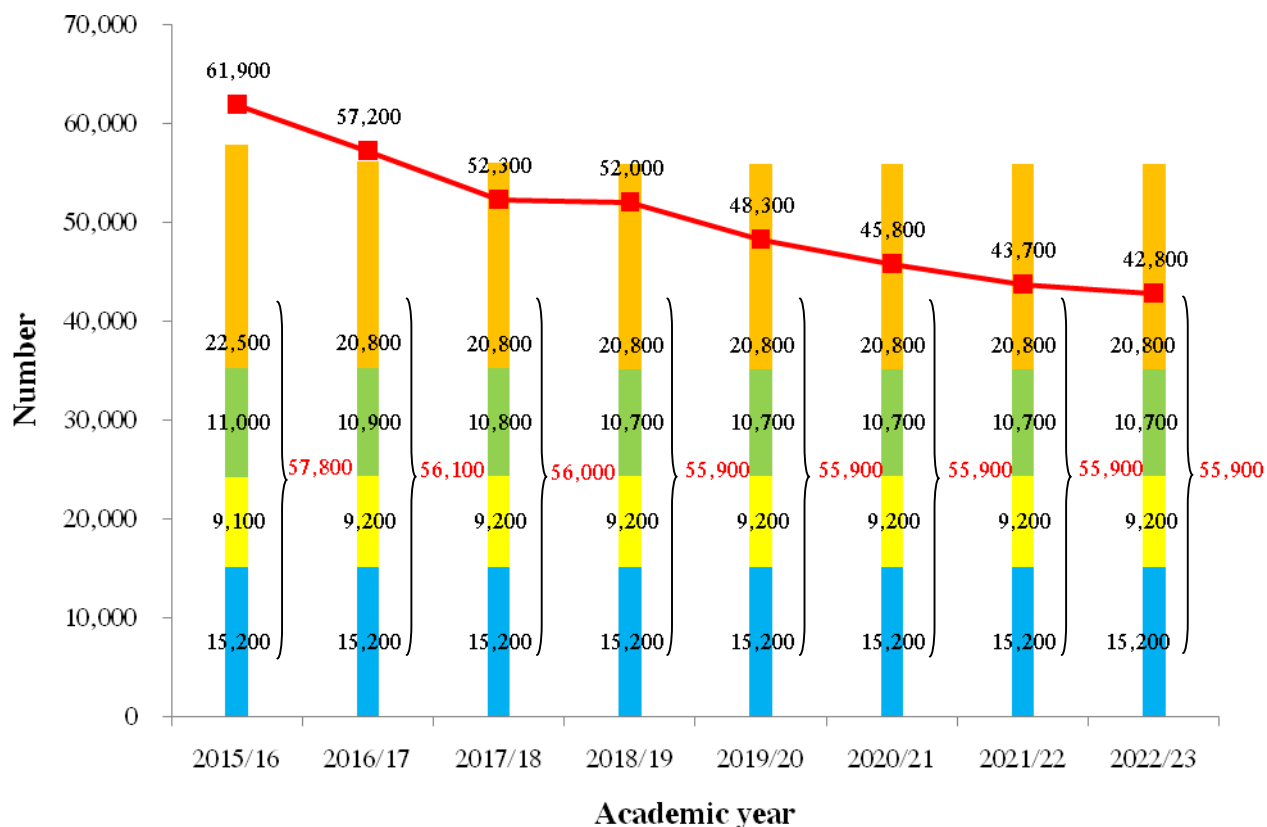
Source: EDB records

4.24 According to a forecast made by the EDB in August 2015, owing to demographic changes, the decrease in the number of secondary school graduates would continue until 2022/23. The forecast also indicated that starting from 2017/18, the number of post-secondary education places would exceed the entire population of secondary school graduates regardless of their HKDSEE results (see Figure 5). Due to insufficient student enrolment, an SFI was closed down in 2014 while the management of another SFI was taken over by a third SFI in 2016. Audit analysis of the rate of intake (the actual number of first year student intake divided by the number of places available) of 27 SFIs (Note 27) also indicated that in the three years from 2012/13 to 2014/15, the rate of intake of six of them was consistently lower than 50% (ranged from 4% to 46%).

Note 27: Of the 28 SFIs, one SFI had been excluded from the analysis because it was established only in July 2015.

Figure 5

EDB's forecast in August 2015 of the supply and demand of local post-secondary education places (2015/16 to 2022/23)



- Legend:**
- Number of places of self-financing sub-degree programmes
 - Number of places of publicly-funded sub-degree programmes
 - Number of places of self-financing undergraduate programmes
 - Number of places of publicly-funded undergraduate programmes
 - Number of secondary school graduates

Source: EDB records

*Need to determine the way forward
for the government assistance schemes*

4.25 According to the EDB, owing to the decrease in student enrolment, it has given repeated reminders to the SFIs on the need to take due account of the demographic changes in planning their operation and to undergo consolidation in both programme quantity and quality. In June 2016, to help SFIs cope with the decline in secondary school student population, the FSTE submitted three recommendations to the LegCo Panel on Education. These recommendations are:

- (a) the introduction of an education voucher system;
- (b) relaxing local SFIs' current intake ceiling of 10% for Mainland students;
and
- (c) improving the loan terms (e.g. extending the interest-free period and loan forgiveness) of the SLS.

4.26 The self-financing post-secondary education sector has been developing for more than 15 years since 2001. To promote the healthy and sustainable development and to enhance the quality of the sector, the Government has implemented various assistance schemes for SFIs. Audit noted that the then Education and Manpower Bureau (Note 28) initiated a two-phase Review of the Post-secondary Education Sector in 2005 to take stock of the development of the post-secondary education sector and map out future directions for development. The two-phase Review was overseen by a Steering Committee chaired by the Bureau and comprised representatives of service providers, quality assurance agencies and the business community, and was completed in 2006 and 2008 respectively. In view of the long time elapsed and demographic changes, the EDB needs to consider conducting a review of the effectiveness of the assistance schemes in promoting the healthy and sustainable development of the self-financing post-secondary education sector so as to determine the way forward for the schemes in aligning with the sector's development.

Note 28: *In January 2003, the Education Department was merged with the then Education and Manpower Bureau. In July 2007, the Bureau was renamed the EDB upon the reorganisation of the Government Secretariat.*

Audit recommendations

- 4.27 **Audit has recommended that the Secretary for Education should:**
- (a) **consider conducting a review of the effectiveness of the government assistance schemes in promoting the healthy and sustainable development of the self-financing post-secondary education sector to determine the way forward for the schemes in aligning with the development of the sector; and**
 - (b) **in conducting the review, take into account the audit findings in this Audit Report.**

Response from the Government

4.28 The Secretary for Education agrees with the audit recommendations. He has said that the EDB has already been reviewing the development of the sector and the corresponding assistance schemes from time to time. This is evidenced by the many new measures implemented in recent years, such as the new SPEF in 2011, the sixth round of MGS funding in 2012, the new research funding support for the local self-financing degree awarding institutions from 2013, the new Study Subsidy Scheme for Designated Professions/Sectors starting from 2015/16, and the introduction of funding for industrial attachment projects under the QESS since January 2016, etc. Given the fast changing nature of the self-financing sector, ongoing review should be much more efficient and the audit findings in this Audit Report will be taken into account as appropriate.

Appendix A
(para. 1.4 and Note 7
to para. 1.5(g) refer)

**SFPPs eligible for government assistance schemes
(30 June 2016)**

	SFI		SFPP
<i>Self-financing continuing and professional education institutions operating under the aegis of the UGC-funded universities</i>			
1	City University of Hong Kong	1	City University of Hong Kong
		2	Community College of City University
		3	School of Continuing and Professional Education
2	Hong Kong Baptist University	4	Hong Kong Baptist University
		5	College of International Education
		6	School of Continuing Education
3	Lingnan University	7	The Community College at Lingnan University
		8	Lingnan Institute of Further Education
4	The Chinese University of Hong Kong	9	School of Continuing and Professional Studies
5	The Education University of Hong Kong	10	The Education University of Hong Kong
6	The Hong Kong Polytechnic University	11	The Hong Kong Polytechnic University
		12	Hong Kong Community College
		13	School of Professional Education and Executive Development
7	The Hong Kong University of Science and Technology	14	The Hong Kong University of Science and Technology
8	The University of Hong Kong	15	HKU SPACE Community College
		16	HKU School of Professional and Continuing Education

Appendix A
(Cont'd)
(para. 1.4 and Note 7
to para. 1.5(g) refer)

	SFI		SFPP
<i>Approved post-secondary colleges registered under the Post Secondary Colleges Ordinance</i>			
9	Caritas Institute of Higher Education	17	Caritas Institute of Higher Education
10	Centennial College (managed by the HKU School of Professional and Continuing Education since May 2016)	18	Centennial College
11	Chu Hai College of Higher Education	19	Chu Hai College of Higher Education
12	Gratia Christian College	20	Gratia Christian College
13	Hang Seng Management College	21	Hang Seng Management College
14	HKCT Institute of Higher Education	22	HKCT Institute of Higher Education
15	Hong Kong Nang Yan College of Higher Education	23	Hong Kong Nang Yan College of Higher Education
16	Hong Kong Shue Yan University	24	Hong Kong Shue Yan University
17	Tung Wah College	25	Tung Wah College
<i>Institutions registered under the Education Ordinance</i>			
18	Caritas Bianchi College of Careers	26	Caritas Bianchi College of Careers
19	Caritas Institute of Community Education	27	Caritas Institute of Community Education
20	HKU SPACE Po Leung Kuk Stanley Ho Community College	28	HKU SPACE Po Leung Kuk Stanley Ho Community College
21	Hong Kong College of Technology	29	Hong Kong College of Technology
22	Hong Kong Institute of Technology	30	Hong Kong Institute of Technology
23	Yew Chung Community College	31	Yew Chung Community College
24	YMCA College of Careers	32	YMCA College of Careers

Appendix A
 (Cont'd)
 (para. 1.4 and Note 7
 to para. 1.5(g) refer)

	SFI		SFPP
<i>Statutory institutions or their subsidiaries</i>			
25	Hong Kong Art School	33	Hong Kong Art School
26	The Open University of Hong Kong	34	The Open University of Hong Kong
		35	Li Ka Shing Institute of Professional and Continuing Education
27	Vocational Training Council	36	Hong Kong Design Institute
		37	Hong Kong Institute of Vocational Education
		38	School for Higher and Professional Education
		39	Technological and Higher Education Institute of Hong Kong
<i>Institution providing self-financing locally-accredited non-local undergraduate programmes</i>			
28	SCAD Foundation (Hong Kong) Limited / Savannah College of Art and Design	40	SCAD Foundation (Hong Kong) Limited / Savannah College of Art and Design

Source: EDB records

Appendix B
(para. 1.5(a) refers)

**List of land sites/government premises granted/allocated under the LGS
(31 March 2016)**

	SFPP	Address	Site area (square metres)	Academic year of operation at the address
<i>Land sites</i>				
1	Caritas Bianchi College of Careers	18 Chui Ling Road, Tseung Kwan O, New Territories	4,870	2009/10
2	Caritas Institute of Higher Education	Tseung Kwan O Town Lot No. 97, Area 73B, New Territories	7,366	(Note 1)
3	Chu Hai College of Higher Education	Tuen Mun Town Lot No. 489, New Territories	16,928	2016/17
4	College of International Education and School of Continuing Education	8 On Muk Street, Shek Mun, Shatin, New Territories	6,524	2006/07
5	Hang Seng Management College	Hang Shin Link, Siu Lek Yuen, Shatin, New Territories	5,650	2012/13
6	HKU SPACE Community College	28 Wang Hoi Road, Kowloon Bay, Kowloon	2,077	2006/07
7	Hong Kong Community College	8 Hung Lok Road, Hung Hom, Kowloon	4,386	2007/08
8		9 Hoi Ting Road, Yau Ma Tei, Kowloon	3,962	2008/09
9	Technological and Higher Education Institute of Hong Kong	Chai Wan Inland Lot No. 182, Hong Kong	9,933	(Note 1)
10	The Open University of Hong Kong	81 Chung Hau Street, Ho Man Tin, Kowloon	4,283	2013/14
11	The University of Chicago Booth School of Business in Hong Kong (Note 2)	Ex-Victoria Road Detention Centre site, Mount Davis, Hong Kong	6,430	(Note 1)

Appendix B
(Cont'd)
(para. 1.5(a) refers)

	SFPP	Address	Site area (square metres)	Academic year of operation at the address
<i>Government premises</i>				
12	HKU SPACE Community College/Centennial College	Ex-premises of Kwong Yuet Tong Excel Foundation Primary School, 3 Wah Lam Path, Pokfulam, Hong Kong	2,467	2012/13
13	Hong Kong Art School	Ex-premises of Po Leung Kuk Ho To Shui Hing Primary School, 8 Tam Kung Temple Road, Shau Kei Wan, Hong Kong	480	2009/10
14	Hong Kong College of Technology	Ex-premises of Ho Fai Primary School, Yiu On Estate, Ma On Shan, Shatin, New Territories	863	2010/11
15	Hong Kong College of Technology and HKCT Institute of Higher Education	Ex-premises of FDBWA Mrs Fung Ping Shan Primary School, 2 On Shing Street, Ma On Shan, Shatin, New Territories	5,484	2015/16
16	Hong Kong Institute of Technology	Ex-premises of St. Thomas Primary School, 213 Nam Cheong Street, Sham Shui Po, Kowloon	450	2014/15
17	School of Continuing and Professional Studies	Ex-premises of HKTA Tong Tang Sook Fong Memorial School Estate Primary School, No. 2, Phase II, Tsui Lam Estate, Tseung Kwan O, New Territories	4,520 (Note 3)	2012/13

Source: EDB records

Note 1: The SFPP had not yet commenced operation at the address as at 1 September 2016 because construction was still in progress.

Note 2: The grantee will provide self-financing locally-accredited Master's degree programmes at the land site. To support the EDB's policy objective of developing Hong Kong as a regional education hub, the LGS accepts applications from overseas institutions providing self-financing full-time and/or part-time locally-accredited post-secondary programmes leading to a qualification at or above the level of sub-degree.

Note 3: The figure refers to the internal floor area. The site area of this government premises is not available.

Appendix C
(para. 2.4 refers)

**List of 26 outstanding loans approved under the SLS
(31 March 2016)**

Loan	SFPP	Purpose	Approved loan amount (\$)	Date of approval
1	Caritas Bianchi College of Careers	Constructing a new campus in Tseung Kwan O	188,000,000	27 June 2003
2	Caritas Institute of Higher Education	Constructing a new campus in Tseung Kwan O	300,000,000	13 July 2012
3	Chu Hai College of Higher Education	Constructing a new campus in Tuen Mun	350,000,000	19 June 2009
4		Support the new design for Tuen Mun Campus	250,000,000	20 March 2015
5	Hang Seng Management College	Constructing a new building in the Siu Lek Yuen campus	32,400,000	24 March 2006
6		Constructing a new building in the Siu Lek Yuen campus	308,000,000	28 January 2011
7		Constructing an academic and administrative building, a sports and student amenities centre and student hostels in the Siu Lek Yuen campus	800,000,000	21 June 2013
8	HKU School of Professional and Continuing Education	Renovating a vacant government premises in Pok Fu Lam	40,344,000	19 June 2009
9		Purchasing and renovating a commercial premises in North Point	176,124,000	7 December 2001
10		Constructing a new campus in Kowloon Bay	279,256,000	27 June 2003

Appendix C
(Cont'd)
(para. 2.4 refers)

Loan	SFPP	Purpose	Approved loan amount (\$)	Date of approval
11	HKU SPACE Po Leung Kuk Stanley Ho Community College	Constructing new buildings in the Headquarters in Causeway Bay	254,000,000	24 June 2005
12	Hong Kong Art School	Renovating campuses in Chai Wan and Shau Kei Wan	2,500,000	2 May 2013
13		Renovating a vacant government premises in Shau Kei Wan	5,500,000	16 February 2009
14	Hong Kong College of Technology	Renovating a vacant government premises in Ma On Shan	29,000,000	19 June 2009
15	Hong Kong College of Technology and HKCT Institute of Higher Education	Renovating a vacant government premises in Ma On Shan	30,000,000	7 February 2014
16	Hong Kong Community College	Constructing a new campus in Hung Hom	424,714,000	27 June 2003
17		Constructing a new campus in West Kowloon	458,100,000	4 March 2005
18	Hong Kong Institute of Technology	Renovating a vacant government premises in Sham Shui Po	11,000,000	21 February 2011
19	School of Continuing and Professional Studies	Renting and renovating a commercial premises in Central	22,743,000	24 March 2006
20		Renovating a vacant government premises in Tseung Kwan O	40,000,000	11 May 2012

Appendix C
(Cont'd)
(para. 2.4 refers)

Loan	SFPP	Purpose	Approved loan amount (\$)	Date of approval
21	School of Continuing Education	Constructing a new campus in Shek Mun	359,200,000	27 June 2003
22	Technological and Higher Education Institute of Hong Kong	Constructing a new campus in Chai Wan	670,000,000	13 July 2012
23	The Community College at Lingnan University	Constructing new buildings in the Tuen Mun campus	205,735,000	7 December 2001
24	The Open University of Hong Kong	Constructing new buildings in the Ho Man Tin campus	120,000,000	24 June 2005
25		Constructing a new campus in Ho Man Tin	317,000,000	28 January 2011
26	Tung Wah College	Constructing a new campus in Mong Kok	346,050,000	5 December 2003

Source: EDB records

Acronyms and abbreviations

Audit	Audit Commission
Code of Good Practices	Code of Good Practices on Governance and Quality Assurance
CSPE	Committee of Self-financing Post-secondary Education
E-APP	Electronic Advance Application System for Post-secondary Programmes
EDB	Education Bureau
FSTE	Federation for Self-financing Tertiary Education
HKCAAVQ	Hong Kong Council for Accreditation of Academic and Vocational Qualifications
HKDSEE	Hong Kong Diploma of Secondary Education Examination
JQRC	Joint Quality Review Committee
JUPAS	Joint University Programmes Admissions System
LegCo	Legislative Council
LGS	Land Grant Scheme
MGS	Matching Grant Scheme
QAC	Quality Assurance Council
QESS	Quality Enhancement Support Scheme
ROA	Reaching Out Award
SFI	Self-financing post-secondary education institution
SFPP	Self-financing programme provider
SLS	Start-up Loan Scheme
SPEF	Self-financing Post-secondary Education Fund
SPSS	Self-financing Post-secondary Scholarship Scheme
UGC	University Grants Committee
Vetting Committee	Vetting Committee for the Allocation of Sites and Start-up Loan for Post-secondary Education Providers