

EXECUTIVE SUMMARY

Governance and management structures evolving over the past 90 years have served the University of Hong Kong well in supporting the academic endeavour to build its standing as a preeminent institution in the Asia-Pacific region. Now, however, changes in the political landscape, the globalisation of higher education and an increasingly competitive environment drive the need for governance and management structures that are even more robust if the University is to be properly responsive to opportunities that can enhance its reputation.

The University of Hong Kong is an international university, with a legitimate aspiration to true worldclass standing. Governance and management structures that are fit for this purpose must meet international best practices.

Practices elsewhere point unequivocally to a more streamlined governing body that is focused on steering the strategic directions of the University. The role of the Council is critical in shaping this worthy endeavour and in protecting academic freedom, the unqualified significance of which must be stressed. The Council should be groomed to function effectively.

Similarly, Senate is the principal body for providing academic leadership in the University's core activities of teaching and research. Its size and composition must serve to foster effective academic governance. The role of the Court, relative to the responsibilities of Council and Senate, should be defined accordingly.

To take a common image, whilst governing bodies provide the steering (with important input and advice from senior management through the Vice-Chancellor in his pivotal role on Council), the rowing is the function of the Vice-Chancellor, with the support of a professional team of full time academic managers – a deputy vice-chancellor, pro-vice-chancellors, deans of faculties and heads of departments – selected and appointed on the basis of merit via a transparent consultation process. The reporting lines linking these officers must show clearly where responsibility, authority and accountability lie.

A professional senior management team should be properly supported by key strategic functions of human resources, communications and public relations, which should be managed by persons with appropriate qualifications and experience. Because committees cannot effectively manage a complex institution, academic managers need to assume many of the responsibilities that have hitherto been assigned to committees.

Looking to the horizon, the University should explore further the concept of streamlining the academic structure to facilitate greater interdisciplinary work and devolution of resource management at more appropriate levels.

Against this background, our recommendations are as follows:

- R1. Council should be regarded as the *de facto* supreme governing body of the University, and its size should be set in the range of 18 to 24, with each member appointed or elected *ad personam* and serving as trustee rather than delegate or representative of a particular constituency.

- R2. On the composition of the Council, there should be a clear majority of lay members and the ratio of external to University members should be about 2:1. On the assumption that the optimal size of the University Council is about 21 members, it would be composed as follows:
- ◆ 14 members would be persons who are not students or employed by the University: six of whom would be appointed by the Chancellor in consultation with the Council Chairman; six appointed by the Council itself; and the remaining two elected by the Court. The lay members would be drawn from the graduates of the University, the corporate sector and the professions, the wider local community, and the international community.
 - ◆ 7 members would be university staff or students. The Vice-Chancellor would be an *ex-officio* member. The other six members would comprise two students – one undergraduate and one postgraduate; three teachers – at least one chair professor and one non-professorial member of Senate; and one non-teacher who is not an officer as defined in the University of Hong Kong Ordinance.

No student or staff member shall serve on Council whilst an office holder of the Students' Union or Staff Associations respectively. With the exception of the Vice-Chancellor, no member of the Council may serve more than three consecutive terms of three years each, unless each further term of appointment is specifically approved by the Court.

- R3. A nominations committee should be established to assist the Council in identifying suitable candidates for appointment as lay members. The committee should communicate any vacancies on Council to the University community and invite nominations on a confidential basis. In considering candidates, the committee should bear in mind the expertise needed in the different areas (e.g. finance, audit, investments, strategic planning, human resources, estate, health and safety) to enable the Council to discharge its responsibilities effectively and the lay members to add value to their active participation in the University's decision making processes.
- R4. Given that each member of the Council will be appointed *ad personam* and will bear a responsibility to act as trustee rather than delegate and that student members would not be simultaneously holding office in the Students' Union, the present restrictions which exclude student participation in reserved areas of business should be reviewed to enable them, in particular, to be eligible for membership of selection/search committees for senior officer positions which affect the student body (including the appointment of future Vice-Chancellors).
- R5. To enable the Council to function most effectively and to focus more on strategic issues, the Council should review how the hearing of complaints, appeals and grievances could be streamlined so that, without compromising fairness, not every case would necessarily be heard by the full Council. In particular, Council should avoid adjudicating in cases of a purely academic nature.
- R6. To facilitate members' contribution to Council, induction and continuing development programmes should be made available. The agenda should be more structured, and made continuous and consequential from one meeting to the next, to ensure that the focus is on strategic planning and development. A review of the Council's effectiveness should be conducted every five years and the outcome of such reviews should be included in the Vice-Chancellor's annual report to the Court.

- R7. The Senate should continue to be the principal academic authority, and have the responsibility for regulating all matters relating to education and research in the University, subject only to controls of Council exercised through its responsibility for financial and budget approval, and its fiduciary responsibility to ensure the overall quality and integrity of the University.
- R8. On size, membership of Senate should be set in the range of 42 to 50, and its composition should include the following:
- ◆ Vice-Chancellor, as Chairman
 - ◆ Deputy Vice-Chancellor and Pro-Vice-Chancellors
 - ◆ Deans of Faculties and Chairmen of Faculty Boards
 - ◆ Dean of the Graduate School, Director of HKU-SPACE, Librarian and Dean of Student Affairs
 - ◆ 5 chair professors and 5 non-professorial teachers, to be elected
 - ◆ 3 students, at least one undergraduate and one postgraduate, to be elected.
- R9. The purpose of the Court should be cast as representing the wider interests of the communities served by the University, including its alumni. The Court should retain its power to make, repeal and amend statutes.
- R10. The vacancy in the position of Deputy Vice-Chancellor should be filled and the number of Pro-Vice-Chancellors should be adjusted to three initially. These positions should all be filled after international search as full-time appointments on five-year terms. The Vice-Chancellor, the Deputy Vice-Chancellor and the Pro-Vice-Chancellors, together with the Registrar and the Director of Finance, should constitute the executive (retaining its existing title of the Senior Management Team if deemed appropriate) in managing and overseeing the day-to-day operations of the University, responsible through the Vice-Chancellor to the Council.
- R11. Deans of Faculties should all be appointed, by the Council on the recommendation of the Vice-Chancellor, as full-time officers on five-year terms through a transparent due process, with international search. Appointed Deans should be funded centrally rather than from Faculty budgets.
- R12. To enable the Faculty concerned to have a significant input to the appointment process, the Vice-Chancellor should establish and appoint a Search Committee to provide advice on each Deanship appointment. The Search Committee shall comprise:
- ◆ Vice-Chancellor, as Chairman
 - ◆ a lay member of Council
 - ◆ Chairman of the Faculty Board
 - ◆ 3 teachers in the Faculty, at least one of whom shall be a chair professor and one a non-professorial member
 - ◆ a student in the Faculty, not holding office in the Students' Union
 - ◆ a senior officer (e.g. the Deputy Vice-Chancellor, a Pro-Vice-Chancellor or a Dean from a different Faculty), appointed by the Vice-Chancellor.
- The Faculty would be expected to be involved in drawing up the shortlist, and prospective applicants should have an opportunity to visit the Faculty before his or her candidature is confirmed.

- R13. Deans, by virtue of their appointment and increased responsibilities, should be delegated the authority to appoint Heads of departments and other sub-divisions of studies and learning within the Faculty. The appointment process should mirror that for the Deanship so that the department or sub-division of studies and learning has significant input. The Heads shall henceforth be reporting to the Vice-Chancellor via the Dean of Faculty under delegated authority. Similar arrangements will be needed for the independent centres outside the faculty structure, and a Pro-Vice-Chancellor could be delegated similar authority to oversee such centres.
- R14. A Vice-Chancellor's Advisory Group, comprising members of the Senior Management Team (see Recommendation 10 above) and the appointed Deans of Faculties, should be formally established to advise the Vice-Chancellor on management issues. An important responsibility of this Group will be to enhance communications between the executive and members of the Faculties (both students and staff).
- R15. The number of committees in the University should be significantly reduced, with the responsibilities embedded in some of the management committees transferred to the appropriate officer.
- R16. The University should continue proactively to examine the idea of grouping Faculties into a simpler array, perhaps using a model of three to five Colleges, in order to promote interdisciplinary education and research and to facilitate devolution for resource management at the most appropriate level.
- R17. To facilitate the strategic functions of succession planning, servicing of the remuneration committee, provision of continuing professional development opportunities in management and leadership skills and the management of the merit-based international search for senior positions, the human resources function should be professionalised by the appointment of a Director of Human Resources, with appropriate qualifications and experience.

PART A – INTRODUCTION

A Changing and Challenging Environment

1. The world of the modern university is remarkably different from that of earlier decades, not to mention earlier centuries. In some respects, the changes derive from the way in which universities now carry forward their mission of teaching and research. Other changes are driven by the wider environment in which universities, indeed the whole of society, operate. The changes are multifaceted, and pervasive. Just how well a university adapts to this new environment and draws strength from it will bear strongly on the quality of teaching, the eminence of research and the advancement of its standing and reputation.

2. At the heart of the changed environment encountered by universities are three particularly significant elements – the growing demand for higher education; a technology-enabled revolution in the manner and speed of the discovery and transmission of knowledge; and a quantum shift in competitiveness among universities for staff, students, resources and standing, particularly in the international dimension.

3. Against this background, leading universities around the world, and those that aspire to that standing, are now paying closer attention to the capacity in the organisation for priority setting and clearly focused goals. Equally significantly, the leading group of universities are much more active in the development and implementation of better coordinated, more efficient, and ultimately more effective styles, structures and systems of management, in order to ensure maximum possible positive impact for teaching and research.

4. More than ever, the University of Hong Kong needs to be aware of the broader environment within which it operates. Unequivocally, this broader environment is undergoing dramatic change through the process of globalisation, and it is essential for HKU to keep this in mind as it plans its own way forward. One thing is certain: to ignore the changing environment encountered by universities across the world carries great risk to reputation and standing both within Hong Kong and internationally.

5. Through good governance and effective management, universities ensure proper systems of checks and balances and a framework for strategic leadership in developing and implementing the university's core mission. This is all the more important in the new globalised environment.

The Sutherland Report

6. In March 2002, the University Grants Committee published a report on the future developments of *Higher Education in Hong Kong*, written by Lord Sutherland. The Sutherland Report puts forward a number of recommendations, and Recommendation 6 gives rise to the present Review, namely:

That the governing body of each university carry out a review of the fitness for purpose of its governance and management structures. Such an exercise will necessarily include a review of the relevant Ordinances and, where appropriate, proposals for legislative changes should be made.

7. Lord Sutherland emphasises that a one-size-fits-all approach is not applicable to university governance, and accordingly there is no single model which he recommends for adoption throughout Hong Kong.

8. The Council of the University of Hong Kong recognises that only governance and management structures that are compatible with the academic values of HKU, as expounded in its Vision and Mission Statement, would fit the purpose of the University in its drive for excellence in teaching and research. In particular, governance and management will be central in carrying through HKU's strategic intent to be in the top echelon of universities worldwide.

9. The Review Panel for University Governance and Management was established by the Council to carry out the Review, as recommended in the Sutherland Report, and to propose a model of governance and management that will assist HKU in its continuing drive for preeminence in the rapidly changing and immensely challenging environment encountered by the higher education sector (see *Appendix A*).

The Review Process

10. The terms of reference of the Review Panel, as agreed by Council at its meeting on July 30, 2002, are as follows:

- To conduct a review of the governance and management structures of the University, and
- (a) for the purpose of the review, to receive information, advice and suggestions from relevant committees and members of the University (including staff, students and alumni) and other 'stakeholders' of the University; and
 - (b) to recommend appropriate changes, if any, to improve the governance and management structures of the University.

11. The Panel began its work in August 2002, and members of the University community were widely consulted about governance and management matters in the months that followed. In the course of the consultation process, the Convenor of the Panel or the Panel as a group met with a significant cross section of lay members of the Council, senior officers of the University, members of the Senate, representatives of the staff associations and students' union, general staff and students, alumni groups and other stakeholders and interested parties. Written comments on any relevant aspect of the Review were also invited, and we are pleased to have received about thirty submissions from which we discern that members of the University community have devoted considerable effort in thinking about and discussing important issues germane to university governance and management. We had the opportunity to interview some who submitted written comments, and we are most grateful for their time and effort in assisting the Panel's work. In all, we have discussed the issues within our remit with nearly 200 members of the University community.

12. In addition to consultations, the Panel has also undertaken a critical analysis of the now substantial literature on university governance and management. We have also surveyed international best practices at a range of other universities in the region and beyond. Various reports, documents and discussion papers on issues relevant to our Review and circulated within the University of Hong Kong over the past several years have also been made available to us.

Future Goals and Aspirations of the University of Hong Kong

13. Any review of this kind should start with the question of goals and objectives. Governance and management arrangements are not set in a vacuum; rather they reflect and serve the vision and mission of the university – where it is going and where it wants to be.

14. The full Vision and Mission Statement of HKU is provided at *Appendix B*. The core message it carries is that HKU aspires to be a worldclass university, with a fully international outlook, excelling in both teaching and research. Our meetings with students, staff and alumni give the distinct impression that this sentiment is widely embraced and reinforced by a quiet determination on the part of members of the University. We have no doubt that, as Asia's world city, Hong Kong should have some worldclass universities, and HKU can justifiably see itself as a strong candidate to become worldclass. But we also sense that the highly competitive environment in which HKU must now operate will make it increasingly challenging for any single institution to remain in the forefront, given the aspirations of other universities in the region. The pace of change has visibly quickened and will require thoughtful planning, unusual energy and exceptional adaptability on the part of any university that aspires to major international standing.

15. This striving towards preeminence is given renewed impetus by the Government's announcement, on November 27, 2002, of a blueprint for the further development of higher education in Hong Kong, primarily based on the recommendations in the Sutherland Report. If HKU could build on the SAR Government's intention to concentrate the resourcing of higher education in pockets of excellence, and also increase its funding from private sources, it will then have the capacity to become a university that competes at the highest international level.

16. For HKU to attain such status and standing in this robustly competitive environment, it must adopt modern governance and management structures that fit (and indeed advance) its purpose. It is fair to say that without modern structures and processes that are fit for purpose, HKU will lose its competitive edge and, in a worst case scenario, could well experience a steady erosion of its current quality and standing. This must not happen. We have no illusion that simply by addressing governance and management issues, HKU would automatically excel in its ambitions; while necessary, good governance and admirable management are not a sufficient condition. But by consciously following international best practices in governance and management, with a Hong Kong dimension, HKU does take an important step towards its proper place in company with the world's leading universities.

Issues facing the University of Hong Kong

17. There are worldclass universities and there are, regrettably, impoverished universities in the world; we know of no truly great university that is also impoverished. Resources and resourcing do matter – they matter profoundly. Yet what government in the world seriously contemplates funding education, or for that matter health care and social welfare provisions, to the ideal level needed? There are inevitably strong competing demands for limited public resources overall, and within the education sector pressures for the education budget will very likely push more resources to the nursery, primary and secondary sectors. And this phenomenon of intra-sector rebalancing in a general context of funding shortfalls is by no means unique to Hong Kong.

18. Against this background, and in the interest of higher education at large, HKU must work with individual donors and companies to secure private sources of funding. Like other international universities of high standing, HKU will also need to engage actively in broad-based philanthropic fund raising activities to boost its income, particularly for student scholarships and support of research. For Hong Kong to become a knowledge based economy, industries and the corporate sectors must be encouraged through effective and carefully designed partnerships to invest in the discovery and transmission of knowledge. An environment of assurance for business and industrial partners and individual benefactors that the resources they channel to the University will be handled professionally and effectively, and with probity, is absolutely critical.

19. In summary, and given the future HKU wants for itself, the University faces a number of challenges that cannot be avoided if it is to embrace that future. Some dramatic changes are needed, and needed now, in critical aspects of governance and management. The focus of our Review (and the purpose of this report) is to set the framework for, and provide guidance on, achieving these changes.

PART B – GOVERNANCE ISSUES

20. In this key section of the report, we consider what kind of governance structure would be fit for the purpose of HKU, as it aspires to be a worldclass university in a changing and challenging environment.

The Idea of Good University Governance

21. The Review Panel is not the first group to examine and report on the governance and management structures of a university (and we will certainly not be the last). We have benefited greatly from the work of earlier reviews in other countries, and key extracts from some of these documents is presented in *Appendix C*. The central theme throughout these reviews and in the literature at large (see *Appendix D*) is how probity, efficiency and effectiveness in universities derive from, and are driven by, good governance processes and structures. We also note the growing sentiment that good governance becomes all the more important during times when there is a pressing need to set priorities; create clear institutional focus; and respond to intensifying competition. In short, good governance (and equally good management, which is addressed in Part C of this report) is a very high priority (along with funding) for those universities striving for recognition as eminent institutions.

22. We stress at the outset that the academic staff is the single most important part of a university, simply because it is the primary source of the institution's intellectual vigour and vitality. Its passion drives the quest for new knowledge across all fields of inquiry. It re-examines and re-interprets existing knowledge, and through its teaching, it seeks to inspire and motivate students to become co-participants in the search for truths – wherever that search may lead. The absolute quality of members of academic staff, therefore, is the key to the absolute quality of the university itself. Consequently, the identification and appointment of academics who are unequivocally outstanding in research, and equally committed to excellent teaching, must be the highest priority of any university that aspires to distinguished international standing. In such circumstances, every academic appointment and every promotion counts a very great deal – as does the strongest possible academic leadership at all levels.

23. In this regard, we also stress the unqualified significance of academic freedom. The quest for new knowledge in all fields, and the ability to publish – and teach – the results of one's research, depends entirely upon an institutional atmosphere and clear guidelines that encourage and defend open inquiry and discussion. Equally, students must be free to inquire, to learn, and to express their views, as an essential part of their own educational process. In our view, the principle of academic freedom is intrinsic to the very conception of a university, and the defence of this principle is consequently the shared responsibility of all who are directly engaged in carrying forward the institution's central purposes: the Council and Senate; the Vice-Chancellor, the Pro-Vice-Chancellors and Deans; the Heads of Departments, and the academic staff more generally (see quotations 11 and 14 in *Appendix C*). The University of Hong Kong has embraced and upheld this principle throughout the course of its ninety-year history, and has clearly committed itself to the strong continuance of this principle into the future.

24. We also underscore a further point, concerning the relationship between academic freedom and institutional governance. In our Panel's study of other universities – in different parts of the world – it is clear that academic freedom can (and does) flourish in the context of strikingly different governance arrangements. Indeed, major universities – in the United Kingdom, Australia, North America and elsewhere – that have made substantial changes in governance during the past decade or so, have done so without any identifiable detriment in the extent to which they enjoy freedom of inquiry and expression. The key factor, invariably, is the degree of institutional commitment to academic freedom itself, not the particular structure of a university's governance or managerial arrangements (see quotation 11 in *Appendix C*).

25. The assurance of a healthy environment for academic freedom, along with the related principle of institutional autonomy, should be of central concern in good university governance (and management). Of course, as Dearing notes, this principle – indeed right – is cast in the wider context of society and carries counterpart responsibilities:

Individual and collective academic freedom confers responsibilities as well as rights. Within their institution or discipline, academics should be bound by proper regard for their colleagues and by the usual rules of professional academic engagement... [O]utside the institution or discipline, individual academics, as well as their institutions, share a duty of accountability, both for their work and as stewards of public resources. There is a duty to explain publicly and to professional and academic peers what is being attempted and achieved with those resources [quotation 12 in *Appendix C*].

26. While there are no governance principles higher than the values of academic freedom and institutional autonomy, good university governance also entails some other important elements and ingredients. Within the bounds of confidentiality and the practical limits on the dissemination of information, the governance of the university should provide appropriate structures, establish sound processes, and generate reasoned decisions that are clear and transparent.

Governing bodies are entrusted with funds, both public and private, and therefore have a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of their business, and wherever possible following a policy of openness and transparency in the dissemination of their decisions [quotation 40 in *Appendix C*].

This does not mean that every document is made available to everyone at all times. But it does mean that those directly involved in governance have a duty to communicate regularly with the university and its wider communities, providing information about how the processes of governance operate; what significant decisions have been made; what has been the basic rationale for major decisions; how the strategies would be delivered; and how results will be monitored and evaluated.

27. Another important element of good university governance is responsiveness. Through our own international experience we see just how competitive the operational environment has become, and how fast things are changing in the world of universities. A good governance structure should ensure efficient decision making so that management can respond quickly to opportunities that

arise. This highlights one of the fundamentals of good governance – that the governing body recognise the proper delineation of its role from that of management. A governing body that seeks to micromanage the institution will put at serious risk the timeliness of decision making (see quotations 6 and 8 in *Appendix C*).

28. Yet another important element of modern governance is the oversight of devolution of responsibility and authority within the organisation. Universities are large and complex institutions, and it is simply not possible (nor even at all desirable) to run everything centrally. Devolution has taken place in almost all large organisations and institutions, but with varying degrees of success. One critical success factor is to devolve to a level that best fits leadership skills and management competency, and in the university context this is usually at faculty level. Unfortunately we see many examples of devolution, particularly of resource management, either to a level too low, where there is inadequate leadership to oversee the operations (at least without proper infrastructure support and professional development); or to a level too high where professionals have to micromanage the day-to-day detail (which of course is not really devolution).

29. Governance must be focused on the coordination of strategic planning rather than on micromanagement. In the environment in which universities operate, the one certainty is that change is inevitable. Thus, another feature of governance is to ensure effective change management process, oversee risk assessment in scenario planning, and establish priorities among competing demands for the limited resources available.

30. For a governing body to function properly by these standards, it is critical that its members observe a code of proper conduct for such public service. Governors are appointed or elected by various means, but once on the governing body, each member must serve as a trustee rather than a delegate representing a particular constituency. We see no merit in treating the governing body of a modern university as a form of academic ‘parliament’. Equally, we recognise that good governance practice in a university environment differs in significant ways from the requirements of the corporate sector:

University Councils are different from company boards. They must act in the interests of a broad range of clients not just in the interests of shareholders. Their members serve in an honorary capacity and do not have a financial interest in the outcomes of their decisions. They oversee a complex collegiate decision making process relying heavily on consultation and consensus rather than operating principally through a hierarchical management structure. Their legal responsibilities are different and their membership is more diverse [quotation 15 in *Appendix C*].

Good Governance for the University of Hong Kong

31. The University of Hong Kong Ordinance provides that the principal bodies of governance are the Court, the Council, the Senate and the Boards of the Faculties. Of these, the Council and the Senate are empowered to make regulations which underpin the Ordinance and the Statutes and provide for the orderly conduct of day-to-day operations. The Court is empowered to recommend to the Chancellor any additions to, or amendment or repeal of, the Statutes on the proposal of the Council. The Ordinance states that the Court is the supreme governing body of the University, the

Council the executive body of the University and the Senate the principal academic body. However, when we examine the Statutes on the powers of the Court and the Council, it seems quite clear that the intention is that the former body should be largely advisory and the latter should be the *de facto* prime governing body.

32. The architecture of governance at HKU was set in place in a pre-globalised world. The environment is now much changed. As pointed out in the Sutherland Report, one of the characteristics of the universities of Hong Kong is that governance is widely distributed. This characterisation is certainly applicable to HKU. Evidence from around the world points very clearly to the need for final institutional decision making authority to be vested in a single body, not only for legal reasons but also for the sake of clear leadership and direction. This body should be the Council. Without in any way compromising essential academic values, Council needs an unambiguous responsibility for, and role with, broad policy and mission development.

The University Council

33. The Statutes of the University of Hong Kong provide for a Council membership which at present numbers 54, of whom a majority (30) are lay members (i.e. those persons who are not students or employed by the University). By any modern standard this is a very large body which, given comments to us from current and former members of Council, is seen to act more like a parliament than a board. The international trend, unequivocally, is towards smaller governing bodies with an emphasis on strategic intent and broad policy. In the submissions to the Panel, a number of interest groups have sought specific and direct representation on Council. We understand why such representations are made, given the present structure and make up of the Council, but if all were to be accommodated the size of the Council would be even larger, and that would further hinder the Council's ability to function at the highest standards of governance.

Recommendation 1:

Council should be regarded as the *de facto* supreme governing body of the University, and its size should be set in the range of 18 to 24, with each member appointed or elected *ad personam* and serving as trustee rather than delegate or representative of a particular constituency.

34. Set at this size, the Council has a much better chance to meet the standards and qualities commonly mentioned in the international reviews. To quote from Hoare:

The governing body exists to oversee the development and adoption of institutional strategic plans and key policies, to monitor and review the institution's overall performance and to bear ultimate accountability for the institution. Its activities should be principally those of guidance and review, rather than executive management, and its members should recognise their overriding responsibility to bring diverse viewpoints together for the advancement of the institution rather than to represent sectional interests [quotation 6 in *Appendix C*].

35. The Council, as the *de facto* supreme governing body, should be responsible ultimately for the effective management of the University and for its future developments. Specifically, the Council should review, discuss and decide upon major proposals – from the Vice-Chancellor, senior management and planning bodies – that set forth future strategic directions for the University. It should oversee an integrated and continuous forward planning process to determine institutional priorities and goals, monitor the performance of management against agreed strategies, regulate financial and investments affairs, make arrangements for internal and external audits, manage the campus's physical environment, monitor the human resource policies, assure itself that effective systems are in place to protect the health and safety of those who study and work in the University, and be the guardian of the external representation and standing of the University (see quotations 20, 21, 23, 25, 26, 27, 28, 29 and 31 in *Appendix C*).

36. The size and composition of Council are important design features of good governance, because these features bear on both the style of operation and effectiveness of outcomes (see quotations 33, 37 and 39 in *Appendix C*). Dearing addresses the issue in this manner:

Effective governing bodies will have a majority of lay members ... [with] a balance of new and more experienced members. [M]embers should not serve for more than two terms, usually three to four years each, unless they also hold office. Once appointed, members must act in the best interests of the institution and not as delegates of a particular constituency. There should be a register of members' interests... Effective governing bodies will also, to have legitimacy, include as full members some who are drawn from the students and staff of the institution. In some institutions, ... student and staff members find it difficult to discharge their responsibilities towards the institution rather than the groups from which they are drawn. They may need training to help them become confident and effective governors [quotation 35 in *Appendix C*].

If the size of Council were to be set at 21, the composition could shape as follows:

Recommendation 2:

On the composition of the Council, there should be a clear majority of lay members and the ratio of external to University members should be about 2:1. On the assumption that the optimal size of the University Council is about 21 members, it would be composed as follows:

- ◆ 14 members would be persons who are not students or employed by the University: six of whom would be appointed by the Chancellor in consultation with the Council Chairman; six appointed by the Council itself; and the remaining two elected by the Court. The lay members would be drawn from the graduates of the University, the corporate sector and the professions, the wider local community, and the international community.
- ◆ 7 members would be university staff or students. The Vice-Chancellor would be an *ex-officio* member. The other six members would comprise two students – one undergraduate and one postgraduate; three teachers – at least one chair professor and one non-professorial member of Senate; and one non-teacher who is not an officer as defined in the University of Hong Kong Ordinance.

No student or staff member shall serve on Council whilst an office holder of the Students' Union or Staff Associations respectively. With the exception of the Vice-Chancellor, no member of the Council may serve more than three consecutive terms of three years each, unless each further term of appointment is specifically approved by the Court.

37. Members would come on to Council through different avenues. Some would be *ex-officio* (like the Vice-Chancellor), others would be nominated (like some lay members), and we expect most of the University members will be elected by the staff and students. We specify that the internal members should not concurrently hold office in the Students' Union or the Staff Associations because of concerns about the expectations of their constituencies that they would serve on Council to represent particular interests. This would put good governance practice at risk, so we feel the need to be specific on this point. Those officers in senior management, who are not otherwise elected to serve on Council, could be invited to attend Council meetings when relevant items are included on the agenda – they would be there to assist the Vice-Chancellor in presenting papers and answering queries, and to share the Vice-Chancellor's responsibility and accountability to Council in person.

38. As for the process of nomination of those lay members to be appointed by Council, we commend the practice of establishing a nominations committee. This committee should identify the skills, knowledge and experience required for a balanced and effective board, taking into account the different areas of expertise the Council of HKU needs at the particular time. As vacancies arise the nominations committee would recommend possible appointees. The nominations committee could also subsume the existing responsibility of the Committees Review Committee in periodically reviewing the lay memberships of the committees that directly report to the Council.

Recommendation 3:

A nominations committee should be established to assist the Council in identifying suitable candidates for appointment as lay members. The committee should communicate any vacancies on Council to the University community and invite nominations on a confidential basis. In considering candidates, the committee should bear in mind the expertise needed in the different areas (e.g. finance, audit, investments, strategic planning, human resources, estate, health and safety) to enable the Council to discharge its responsibilities effectively and the lay members to add value to their active participation in the University's decision making processes.

39. Given the role and responsibility of the Council, it should not be involved in operational details. Even issues of a wider strategic and policy nature can be quite voluminous and time consuming, so it is common for a governing body to create a committee support structure to address well-defined subject areas, and then to make proposals to the Council as a whole. We note the current committee structure for the Council, and we feel that it can be streamlined. We do not propose to be specific on this front, but at a minimum, there should be an audit committee (which was also recommended by Lord Sutherland), an investments committee, and a remuneration committee. We will return to the functions of committees in the University later in our report (see paragraphs 65 and 66 below).

40. We understand the issues and sensitivity with civil service linkage, but under the present system there is still some room for manoeuvre in determining the salaries and terms and conditions of the Vice-Chancellor and other senior staff on professorial grade. Beyond this, we also note that in its blueprint for the future development of higher education, announced in November 2002, the SAR Government agrees to remove the mandatory requirement to link with the civil service salary scale. Should the University find itself in a highly deregulated environment so that it has to determine its

own salary structures for all staff, robust mechanisms will be needed. A remuneration committee would provide proper perspectives and objective criteria for this important human resources function. We shall return to further aspects of the remuneration committee later in our report (see paragraph 70 below).

41. Some items on the Council agenda are classified as reserved business from which students are excluded in accordance with the Statutes. In their submissions, the students make a strong case that they should be fully participative in the selection of the Vice-Chancellor, even though that only happens about once every ten years, on average. Provided that student members, like all members of Council, accept and adopt the trustee model (including adherence to the strict rules of confidentiality), we see no good reason for excluding students from reserved areas of business of the Council. However, in this connection, staff concerns about privacy of their medical history and condition or other personal data would have to be addressed.

Recommendation 4:
Given that each member of the Council will be appointed *ad personam* and will bear a responsibility to act as trustee rather than delegate and that student members would not be simultaneously holding office in the Students' Union, the present restrictions which exclude student participation in reserved areas of business should be reviewed to enable them, in particular, to be eligible for membership of selection/search committees for senior officer positions which affect the student body (including the appointment of future Vice-Chancellors).

42. Our discussions with lay members of the Council brought to light their sense of sometimes being overwhelmed by the amount of information provided, and yet they feel that they should be able to contribute more actively in Council's decision making processes. Council agendas in the past few years suggest that not enough time is spent on strategic issues; rather Council seems to have been preoccupied by what we consider to be management and operational matters which should be in the hands of the Vice-Chancellor and his senior management team. We also detect that too much of Council's time is spent on hearing cases of complaints, appeals and grievances. We understand that this stems from the statutory provision that Council has the power to entertain and adjudicate upon complaints, and to redress grievances.

Recommendation 5:
To enable the Council to function most effectively and to focus more on strategic issues, the Council should review how the hearing of complaints, appeals and grievances could be streamlined so that, without compromising fairness, not every case would necessarily be heard by the full Council. In particular, Council should avoid adjudicating in cases of a purely academic nature.

43. Several of the international reviews of governance draw attention to the qualities required in the governing body and highlight the value of providing guidance through clear protocols of conduct and behaviour. There is also strong support for structural assistance in better understanding the

issues handled by Council (see quotations 40, 53, 54 and 55 in *Appendix C*). To ensure that the Council members function effectively and add value to the strategic planning and decision making processes, it is desirable that they be provided with induction and continuing development opportunities. The training could cover knowledge development for financial, estate and human resources matters, leadership skills, strategic planning techniques, University politics and culture such as the sensitivity towards academic freedom, and the international standards of best practice in university governance.

44. The Council should pursue the idea of setting itself a continuous agenda so that the strategic issues are systematically and cyclically addressed. Specifically, there should be a regular item of the 'Vice-Chancellor's business' on the agenda of each meeting whereby ideas from management on strategic issues could be considered by the governing body, and a running record kept of issues raised and resolved at earlier meetings but yet to be realised through implementation. A review by itself on the effectiveness of the Council should be conducted every five years, with the first such review conducted a year after the first meeting of the reconstituted Council.

Recommendation 6:

To facilitate members' contribution to Council, induction and continuing development programmes should be made available. The agenda should be more structured, and made continuous and consequential from one meeting to the next, to ensure that the focus is on strategic planning and development. A review of the Council's effectiveness should be conducted every five years and the outcome of such reviews should be included in the Vice-Chancellor's annual report to the Court.

The University Senate

45. We understand that the University has given considerable attention to the size and operational aspects of the Senate. In particular, we note that a Working Party on the Composition and Functions of Senate, chaired by the University's first Deputy Vice-Chancellor, reported to Senate in 1994, and that the Working Party on Strategic Planning has also recently reported to the General Purposes Committee on how Senate could be revamped in terms of both its size and composition. We understand that the respective discussions at Senate and at the General Purposes Committee were inconclusive and that follow up action has not materialised for one reason or another. We are comfortable with the rationale and thrust of the recommendations in these two reports, and do not wish to revisit the arguments advanced. Suffice it to say that we support them in principle, as will be demonstrated in our next two recommendations.

46. We believe that the Senate should be the principal academic authority and carry responsibility for regulating all matters relating to education and research of the University, subject to the control of Council only by virtue of the latter's responsibility for financial and resourcing matters, and its fiduciary responsibility to ensure the overall quality of the University and its soundness and financial health (see quotation 63 in *Appendix C*).

Recommendation 7:

The Senate should continue to be the principal academic authority, and have the responsibility for regulating all matters relating to education and research in the University, subject only to controls of Council exercised through its responsibility for financial and budget approval, and its fiduciary responsibility to ensure the overall quality and integrity of the University.

47. As with Council, members should act as trustees, although there is a case for an equitable representation of major academic disciplines to ensure informed deliberations and the assurance of academic freedom. Having regard to the arrangements being put in place internationally, we form the view that the size of Senate should be in the range of 42 to 50, and our preference is for the lower end of the range. Senate should include all the academic officers, students and both junior and senior members of the academic staff.

Recommendation 8:

On size, membership of Senate should be set in the range of 42 to 50, and its composition should include the following:

- ◆ Vice-Chancellor, as Chairman
- ◆ Deputy Vice-Chancellor and Pro-Vice-Chancellors
- ◆ Deans of Faculties and Chairmen of Faculty Boards
- ◆ Dean of the Graduate School, Director of HKU-SPACE, Librarian and Dean of Student Affairs
- ◆ 5 chair professors and 5 non-professorial teachers, to be elected
- ◆ 3 students, at least one undergraduate and one postgraduate, to be elected.

48. We appreciate that this is a substantial reduction of the current size of Senate of about 200, but through delegation of some of the powers of Senate to the Boards of the Faculties, of which every teacher is a member and in which students are properly represented, we are satisfied that the academic planning functions of the University would not be jeopardised; indeed they would be served with greater focus and purpose (see quotation 62 in *Appendix C*). As mooted in the earlier reviews to restructure Senate, the University would need to find means to ensure that the professoriate more actively participates in academic affairs at a University wide level, and to encourage the Chair Professors to make maximum contributions as academic leaders. The organisation of open forums in which academic issues are discussed with a wider audience of staff and students is one possibility. Also, we suggest a move to limited terms of service on Senate. With the exception of *ex-officio* officers, members of Senate, like those of Council, should not serve for more than three consecutive terms of three years each. This proposal is designed to inject new blood regularly into Senate thereby fostering fresh ideas and also building a strong body of governance experience across the University.

The University Court

49. Concomitant on our recommendation that the Council be regarded as the supreme governing body, adjustments are needed to the status of the Court. We see the proper purpose of the Court as a sounding board from the wider communities served by the University, including its alumni, the professions, the government, the secondary education sector, the industries and other corporate sectors.

50. The powers of the Court should be defined in the University's constitution, and these would include receiving the annual accounts and the Vice-Chancellor's annual report of the University's activities and achievements. The Court should also retain its current powers to make, amend and repeal statutes, and to confirm the appointment of the University's external auditors. In our Recommendation 2, we have suggested that the Court should retain its existing power to elect a number of members to serve on Council (which should be two), and that additionally it should have the powers and discretion to allow members of the Council to serve for a period longer than the norm in special circumstances.

Recommendation 9:

The purpose of the Court should be cast as representing the wider interests of the communities served by the University, including its alumni. The Court should retain its power to make, repeal and amend statutes.

51. Like lay members of Council (all of whom serve on Court), the external members of Court can be overwhelmed by the complexity of the modern University and the sheer mass of its affairs. Thus, it would be desirable for all members of the Court to have the opportunity to understand the workings of the University better. Deans might give presentations on their Faculties after the formal meeting, and put in place an array of arrangements that bring into the departments and other independent centres community based members of the Court. This would provide better networking and fund raising opportunities between members of town and gown.

PART C – MANAGEMENT ISSUES

52. In this part of the report, we set out the role and responsibility of the various instruments of management that need to be adopted and formally established within the University, given its declared Vision and Mission.

The Role of the Vice-Chancellor

53. In effectively leading the University in the contemporary environment, the Vice-Chancellor is not only the principal academic officer but also the chief executive officer of the institution in the full, modern sense of the word. He or she provides leadership within the University and acts as the external, visible embodiment of its persona. In fact, the modern Vice-Chancellor spends considerable time on the external mission. Accordingly, it is critical that he or she has the support of a highly professional team of senior academic managers such as a deputy vice-chancellor, pro-vice-chancellors, deans of faculties and heads of departments. Some of the academic managers will serve in an executive role acting in the stead of, or for, the Vice-Chancellor, whilst others will be acting under delegated authority from the Vice-Chancellor, possibly through a memorandum of understanding. There will also be times when they would act in an advisory capacity.

The Senior Management Team

54. Given that the Vice-Chancellor needs to devote much of his time on the external mission of the University, including fund raising and network building, it is important that the senior management team can dedicate considerable time and effort to its role. We understand that since the departure of the previous incumbent in 1995, the position of the Deputy Vice-Chancellor at HKU has only been filled on an acting basis for a time. We suggest that the vacancy should be filled and the position should carry operating responsibility as assigned by the Vice-Chancellor. For all intents and purposes, the Deputy Vice-Chancellor will function in the manner of a Provost in North American universities, which is to say that the individual in this position will handle much of the senior level day-to-day responsibility for the running of the University. The position should be filled full-time, on a five-year contract with the possibility of extension.

55. The Pro-Vice-Chancellor positions should be full-time, five-year appointment with the possibility of extension. Both the Deputy Vice-Chancellor and the Pro-Vice-Chancellor positions should be filled on a merit basis through an international search process, with a guiding selection protocol that ensures transparency and appropriate consultation with all the interested parties. While the search committee plays an important role in assessing candidates, the Vice-Chancellor must retain the final say on the candidate to be recommended for appointment by the Council.

56. Some will argue that by making these positions full-time and perhaps by allowing for external appointees to take up these posts (which is not permitted by Statutes in the case of Pro-Vice-Chancellor at present), the senior academic managers will lose touch with the academic enterprise, and the

University will be creeping towards managerialism. This is countered by the transparency of the process of appointment, and the position specifications which should require someone with appropriate academic credentials, the capacity to work in a collegial manner with academic staff, and a deep understanding of academic values. It must also be emphasised that a high level of professional performance in academic management is absolutely essential as universities face their multitude of challenges. Anything less diminishes the true resources available to enhance the quality of administration required to support teaching and research.

Recommendation 10:

The vacancy in the position of Deputy Vice-Chancellor should be filled and the number of Pro-Vice-Chancellors should be adjusted to three initially. These positions should all be filled after international search as full-time appointments on five-year terms. The Vice-Chancellor, the Deputy Vice-Chancellor and the Pro-Vice-Chancellors, together with the Registrar and the Director of Finance, should constitute the executive (retaining its existing title of the Senior Management Team if deemed appropriate) in managing and overseeing the day-to-day operations of the University, responsible through the Vice-Chancellor to the Council.

57. With a full time Deputy Vice-Chancellor and three full time Pro-Vice-Chancellors, supported by the Registrar and the Director of Finance, the Vice-Chancellor will have a properly professional team of senior academic and administrative managers to assist in the day-to-day operation of the University. There should also be a Vice-Chancellor's Advisory Group comprising the Senior Management Team and the Deans of the Faculties, which meets either monthly or fortnightly to advise the Vice-Chancellor on management matters. This will be the prime communication channel between members of the academic staff and senior management. We will say more about this presently (see paragraphs 62 and 63 below).

The Deans and the Faculties

58. In the University there are both elected and appointed Deans. We agree with Lord Sutherland that Deans should be appointed, which is common practice in leading universities worldwide. The present system whereby Faculty votes to decide whether to retain the elected Deanship or move to an appointed Deanship has served its purpose of providing some induction to the changes needed, but this hybrid approach is now less than valuable. Moreover, we understand that in the seven faculties that have been reviewed under the aegis of the Committee of Academic Reviews, all but one of the review panels, each with a lay member of the Court and two overseas experts, have recommended that the Dean should be full time and appointed. This seems quite conclusive, and we believe that the whole University must embrace the appointed Deanship as the norm.

Recommendation 11:

Deans of Faculties should all be appointed, by the Council on the recommendation of the Vice-Chancellor, as full-time officers on five-year terms through a transparent due process, with international search. Appointed Deans should be funded centrally rather than from Faculty budgets.

59. As with the full time Deputy Vice-Chancellor and Pro-Vice-Chancellors, Deans should be appointed after an international search, but the Faculty has to be fully consulted in the search. Prospective candidates from outside the University could be invited to visit the Faculty and meet with staff and students before their candidature is put forward (and indeed before they perhaps reach a final decision to apply). The Vice-Chancellor should seek advice from the Faculty in drawing up a shortlist, and should include several Faculty members in a search committee to provide feedback from the Faculty and to advise on the best candidate, although the final say on the appointment should rest with the Vice-Chancellor.

Recommendation 12:

To enable the Faculty concerned to have a significant input to the appointment process, the Vice-Chancellor should establish and appoint a Search Committee to provide advice on each Deanship appointment. The Search Committee shall comprise:

- ◆ Vice-Chancellor, as Chairman
- ◆ a lay member of Council
- ◆ Chairman of the Faculty Board
- ◆ 3 teachers in the Faculty, at least one of whom shall be a chair professor and one a non-professional member
- ◆ a student in the Faculty, not holding office in the Students' Union
- ◆ a senior officer (e.g. the Deputy Vice-Chancellor, a Pro-Vice-Chancellor or a Dean from a different Faculty), appointed by the Vice-Chancellor.

The Faculty would be expected to be involved in drawing up the shortlist, and prospective applicants should have an opportunity to visit the Faculty before his or her candidature is confirmed.

60. We understand that there are already statutory provisions for the Board of the Faculty to be chaired by an elected teacher other than the Dean in those Faculties whose Deans are appointed. Such an arrangement enables a person elected by the Faculty to have a strong presence and visibility in the academic governance of the University and the management of the Faculty, and we support that. Accordingly, we have indicated in our Recommendation 8 that the Chairman of the Faculty Board, along with the appointed Dean, should be *ex-officio* members of Senate. As stated in Recommendation 12, the Chairman should also have a key role in the search process for an appointed Dean. Naturally, the Chairman would play a significant part in the appointed Dean's executive, in whatever form this may take.

61. We note that at present all Heads of teaching departments and other sub-divisions of studies and learning officially report to the Vice-Chancellor. With the size and complexity of HKU, the Vice-Chancellor cannot be expected to handle more than 100 people reporting directly to him. It is logical that the reporting lines should be redrawn by delegating to the appointed Dean the powers to appoint Heads and be responsible for the Heads' running of the departments. An important reason for delegation and devolution is to encourage a lower centre of gravity in managing the affairs of the University. The role of the centre is to set the standards perhaps by means of documentation developed at, and overseen by a senior officer in the centre, probably the Deputy Vice-Chancellor. This approach is an essential element in diminishing bureaucracy and streamlining processes about which we will say more shortly (see paragraphs 64-68 below).

Recommendation 13:

Deans, by virtue of their appointment and increased responsibilities, should be delegated the authority to appoint Heads of departments and other sub-divisions of studies and learning within the Faculty. The appointment process should mirror that for the Deanship so that the department or sub-division of studies and learning has significant input. The Heads shall henceforth be reporting to the Vice-Chancellor via the Dean of Faculty under delegated authority. Similar arrangements will be needed for the independent centres outside the faculty structure, and a Pro-Vice-Chancellor could be delegated similar authority to oversee such centres.

Vice-Chancellor's Advisory Group

62. The establishment of a Vice-Chancellor's Advisory Group, referred to earlier, will facilitate two-way communication between the Vice-Chancellor's Senior Management Team and members of the Faculties via the appointed Deans. The Vice-Chancellor should be able to think aloud in this Group, voicing his visions and concerns on both academic and resource management. Similarly, Deans should use the opportunity to contribute to the management processes and, where applicable, bring for discussion and attention issues of concern and any matter relevant to the welfare and advancement of their Faculty in particular and the University in general.

Recommendation 14:

A Vice-Chancellor's Advisory Group, comprising members of the Senior Management Team (see Recommendation 10 above) and the appointed Deans of Faculties, should be formally established to advise the Vice-Chancellor on management issues. An important responsibility of this Group will be to enhance communications between the executive and members of the Faculties (both students and staff).

63. We are aware that the proposed Vice-Chancellor's Advisory Group is similar in make up to the General Purposes Committee, although the latter also includes the Dean of Student Affairs and four other members elected or appointed by Senate. There would be little point, we feel, in maintaining both the Vice-Chancellor's Advisory Group and the General Purposes Committee, and imagine that the role of the latter will be addressed as part of the overall review of committees with which we will deal shortly (see paragraphs 65 and 66 below).

Organising the Academic Effort

64. A theme of this report is the importance of devolution and the enabling of Faculties to run more of their own affairs within guidelines and by procedures set at the centre as part of the overall governance arrangements, but with a minimum of central involvement on a day-to-day basis. This will not only encourage the Faculties to take charge of their own affairs, but devolution also frees the Senior Management Team to better focus on high level strategy, university wide systems development, as well as assisting the Vice-Chancellor in the external mission – networking (friend raising), fund raising, collaboration with business and industries, dealing with the UGC and the Government, etc.

65. Mature devolution entails a lowering of the centre of gravity for both authority and responsibility, whilst strengthening accountability. This is why our recommendations empower the officers concerned to take executive action, and at the same time ensure that the officers are held accountable. A common refrain in our consultations is that there are far too many committees at HKU and that they sometimes even assume an executive role, so that the authority is shared with a resultant ambiguity in where responsibility lies. International practice suggests that accountability and management lines should be clear and run to individual officers rather than to committees.

66. We understand that there have previously been various attempts to reduce the number of central, University-wide committees, which currently exceed 100. Under a devolved model of management, together with properly delegated authority, the role of many of the present committees would diminish and others could be disestablished. Committees will always serve as agents of communication, advice and consultation, but they should not be a substitute for management. The management-by-committee syndrome, as characterised in Lord Sutherland's report, is too prevalent at HKU. Our package of proposed reform aims to lighten and freshen the administrative environment, such that there should be fewer central committees reporting to the Council, Senate and the Vice-Chancellor. Similarly, with an appointed Dean, some of the Faculty committees would become obsolete.

Recommendation 15:

The number of committees in the University should be significantly reduced, with the responsibilities embedded in some of the management committees transferred to the appropriate officer.

67. There have been various suggestions put to us that the academic structure should be reorganised by grouping Faculties into a small number of Colleges, say three to five. We understand that this concept has been discussed within the University for four or five years. There may be a reasonable case for such an arrangement whose rationale would seem to be: facilitating greater academic collaboration and interdisciplinary teaching and research; and enabling devolution of resource management to a more appropriate level above the faculties.

68. By grouping the Faculties into Colleges, each headed by a Provost or Principal (an arrangement adopted in quite a number of universities we have surveyed), reporting to the Vice-Chancellor could be further streamlined. We recognise that this issue has significant implications and that the assignment of academic units must be handled carefully, and this requires more time – and a level of detailed knowledge – that lies beyond our scope. But the issue should be addressed, and it seems to us that now is the right time for the University to further explore the implications.

Recommendation 16:

The University should continue proactively to examine the idea of grouping Faculties into a simpler array, perhaps using a model of three to five Colleges, in order to promote interdisciplinary education and research and to facilitate devolution for resource management at the most appropriate level.

Key Strategic Functions – Human Resources, Public Relations and Communications

69. In the package of reform proposed here, we look to a University managed to the best ability of professional managers who are senior academics, established in their research fields and dedicated to teaching, but who now move their full focus and energies to ensuring an environment in the University that fosters and facilitates high quality research and teaching. We realise that management and leadership skills do not come naturally to everyone who enters academe to teach and research. These skills have to be nurtured, and it is incumbent upon the University to provide the infrastructure and opportunities for the senior academic managers to undertake training in management and leadership skills and continuing professional development. We have already mentioned these requirements in the context of lay members of the Council, and reinforce the points here for managers.

70. Presumably most, if not all, senior academic managers will be on the professorial grade, whose salary and terms and conditions are normally a matter of negotiation. We believe that an element of performance related rewards should be included in this negotiated package and we understand that this process currently involves the Vice-Chancellor. We have alluded earlier (see paragraph 40 above) to this important function. Given the heightened importance of professional standards and transparency we believe that all remuneration packages at a senior level should be settled by the remuneration committee of Council. This would be through the close involvement and advice of the Vice-Chancellor (except, of course, in his own case which would be handled with the committee by the Chairman of the Council).

71. The organisation of a continuing professional development infrastructure for senior management (both academic and non-academic) including a robust staff appraisal mechanism, the servicing of the remuneration committee, and managing the process for the appointments through merit-based international search are all quite demanding functions which should be undertaken by a professional human resources director, properly supported. We understand that the human resources function is currently undertaken by generalist administrators within the Registry, and it is only fair to them, and sensible for the University, that in the emerging environment an experienced professional should carry such responsibility.

72. Another dimension to our package of reform is that the University will in due course have a cadre of professional academic managers. This provides academics with an alternative career path for possible progression from Head of Department, through Deanship, Pro-Vice-Chancellorship and Deputy Vice-Chancellorship, to the Vice-Chancellor position. Such a pool of talents will better facilitate succession planning at the institutional level, which is another aspect of the professional human resources director's skills set.

Recommendation 17:

To facilitate the strategic functions of succession planning, servicing of the remuneration committee, provision of continuing professional development opportunities in management and leadership skills and the management of the merit-based international search for senior positions, the human resources function should be professionalised by the appointment of a Director of Human Resources, with appropriate qualifications and experience.

73. The management of change and reform is never going to be easy, especially given the ninety-year history and the culture of HKU. But all of the changes discussed above are urgently needed now. Communication is also critical, and we are pleased to learn that the University is in the search process for a Director of Communications who will oversee the important public relations function. This is a move in the right direction. Human resources, public relations and communications are important strategic functions for the contemporary university which must be undertaken by professional staff.

PART D – IMPLEMENTATION

74. The package of reform which we have put forward in this report contains seventeen key, interrelated recommendations, several of which are also strongly dependent one on another. Our contention is that these proposals should be considered, adopted (or otherwise) and implemented as a package. We do not underestimate the impact that the package of reform, if approved, would have on HKU, but we firmly believe that the time is now right for such an important transformation, not because the machinery would grind to a halt if it did not happen, but because enhanced governance and management structures are needed as HKU aims to scale new heights.

75. We are acutely aware that a number of management issues, brought to our attention by stakeholders during the consultation process, have not been directly addressed in the report. The reason for this is that we believe these issues are symptoms of the current structures which are not as responsive as one would wish them to be in the fiercely competitive and rapidly changing environment for universities. They would be better tackled if and when our proposed package of reform is in place.

76. By way of an illustration, we consider the example of the concerns that there might be inconsistencies in human resources policies towards contract renewal, substantiation, promotion and academic retitling. Under a reconstituted Council, and with expertise in human resources and employment policies in place, the overseeing of benchmark setting would ensure that the design of terms and conditions of service would help recruit and retain the very best talents for HKU. By appropriate delegation and devolution at Faculty level, the legitimate needs in some professional disciplines or areas, where demand of personnel is market-driven, could be accommodated. But this should not be contemplated without the advice and assistance of a professionally qualified Director of Human Resources, responsible to the Senior Management Team.

77. The point we wish to make is that the enhanced governance and management structures proposed under our package of reform will help address many of the issues about which members of the University community are understandably concerned. It would not be appropriate for the Review Panel to address specific management issues.

78. It is of course entirely a matter for Council as to how it wishes to proceed with our proposals, but it may be helpful for the Panel to offer some observations on how the package of reform could be taken forward. Before Council makes a decision, we would expect an intensive period of consultation, especially with those stakeholders who would be affected, during which the viability of the package of reform would be thoroughly examined. Once the consultation process is complete, and on the assumption that it then approves our recommendations, the Council should take ownership of the proposals and steer the implementation process.

79. There must be a clear communications strategy to ensure that the whole University community understands the importance of the transformation underway, and embraces it. The change process would be monitored, with the risks carefully assessed and managed. These would be the responsibility of an Implementation Working Party of Council, chaired by the Vice-Chancellor. A Project Manager, supported by implementation teams, would be responsible to the Implementation Working Party for the different aspects and strands of the package of reform.

80. We are aware that our recommendations seek only to provide a framework within which existing governance and management structures can be enhanced. As such, we have not attempted to go into every detail. This would be a matter for the Implementation Working Party. For instance, in Recommendations 2 and 8, we have not specified how the student and staff members are to be chosen. One possible method is by election and it would be up to the Implementation Working Party to determine the constituencies and the election mechanisms, etc.

81. If and when the package of reform is approved by Council, motions can be set in train to implement the recommendations. We expect the first milestones would be the appointment of the Director of Human Resources and the filling of the Deputy Vice-Chancellor vacancy, followed by the appointment of full-time Pro-Vice-Chancellors and Deans of Faculties. Given the magnitude of the search and recruitment exercises for these senior positions, certain transitional arrangements would be expected to ensure continuity. For example, the Vice-Chancellor could be given authority by Council to appoint full-time Pro-Vice-Chancellors on an interim basis. Some Deans are already appointed, and others would become so gradually since the terms of the elected Deans expire in a staggered manner. We leave the details to the Council on the advice of the Implementation Working Party, but certainly we believe it important that Council consider and implement transitional arrangements.

82. Induction and continuing development programmes for Council members could be instituted straightaway, and the Council agenda business could be rationalised immediately. Some other recommendations would entail changes to the University's constitution, although the ground could be prepared before the legal framework is in place. Yet other recommendations will inevitably take longer or will be dealt with further out, such as the reduction of the number of committees and the consideration of the collegiate model.

83. The implementation process will be assiduous and will take time. It is important that the Council keep up the momentum. There should be a regular item on the agenda for the Chairman of the Implementation Working Party to report on progress, attainment of milestones, and next stage of implementation, at each two-monthly meeting of the Council. The work of the Implementation Working Party would be considered as completed when the process for amending the University's constitution is concluded so that the new Council can operate. A year after that, a first review on the effectiveness of the Council would be conducted (see paragraph 44 and Recommendation 6 above).

84. We are confident that the package of reform, implemented along the lines described in this final part of the report, will help HKU enhance its governance and management structures according to international benchmarks, thereby taking a major step forward in achieving worldclass standing.

APPENDICES

APPENDIX A

ESTABLISHMENT OF THE REVIEW PANEL AND ACKNOWLEDGEMENTS

The Review Panel on University Governance and Management was established by the Council of the University of Hong Kong in July 2002. The review was launched by Dr Victor Fung, Chairman of the Council, in an announcement made on August 21 to members of the University community. Dr Fung writes:

“In March 2002, the UGC published a report by Lord Sutherland on the future development of higher education in Hong Kong. The Sutherland Report attracted widespread attention from the academia, the local community and the media. It was also given a good airing among members of the University which welcomed the general direction and the recommendations put forward by Lord Sutherland.

“A key recommendation of the Sutherland Report is that the governing body of each university carry out a review of the fitness for purpose of its governance and management structures. At its meeting on July 30, 2002, the Council agreed that it was timely for the University to conduct an overall review of its governance and management structures. In this connection, Council agreed to set up an independent review panel of external experts who are familiar with higher education systems in North America and the Commonwealth as well as the local environment and situations in Hong Kong, to advise the University on the framework within which any necessary reforms in governance and management could be considered and implemented.

“A brief biography of each member of the Review Panel [follows].

Professor John Niland AC served as Vice-Chancellor and President of the University of New South Wales (UNSW) from 1992 to 2002. Since stepping down from the helm in July, he has maintained close links with that University as Chairman of the UNSW Foundation. Professor Niland currently occupies several other positions in public life, including the Chairmanships of Research Australia Limited, the Australian Peace Scholarships Trust and the Centennial Park Trust. He also serves on the Board of Trustees of the Singapore Management University.

Professor Niland obtained his bachelor's and master's degrees in commerce and economics from UNSW and his PhD in labour economics from the University of Illinois. His academic career has taken him to Cornell University, the Australian National University and UNSW. Professor Niland was the University's Foundation Professor in Industrial Relations, and he has served as Head of two Schools (Economics and Industrial Relations) as well as Dean of the Faculty of Commerce and Economics. His professional qualifications include Fellowships of the Academy of Social Sciences in Australia and the Australian Institute of Company Directors. Professor Niland was President of his world professional body, the International Industrial Relations Association, from 1989 to 1992, having earlier been President of the

Industrial Relations Society of Australia. He was also Chairman of the Environmental Protection Authority and a consultant to governments, industry, the OECD and the International Labour Organisation.

Professor Niland's public duties in the education sector include having been National President of the Federation of Australian University Staff Associations and President of the Australian Vice-Chancellor's Committee. He has also served on the Australian Universities Council and the Technical and Further Education Council of Australia. In 2001, Professor Niland became a Companion of the Order of Australia (AC), that country's highest civilian honour, for services to education.

* * * * *

Professor Neil L. Rudenstine is Chairman of a major new initiative in art and the humanities at the Andrew W. Mellon Foundation, and was the 26th President of Harvard University from 1991 to 2001. Professor Rudenstine was educated at Princeton University and at the University of Oxford as a Rhodes Scholar, and gained his PhD in English Literature from Harvard University. He began his academic career at Harvard, but moved to Princeton four years later to become Dean of Students and Professor of English Literature. Professor Rudenstine spent the next 20 years at Princeton. His administrative duties included being Dean of Students 1968-72, Dean of College 1972-77 and Provost 1977-88. Professor Rudenstine then took up the position of Executive Vice-President of the Andrew W. Mellon Foundation, until his appointment as President of Harvard and concurrently as Professor of English and American Literature and Language.

During his decade in office, Professor Rudenstine stressed the need to adapt the research university to an era of rapid change in society as well as in significant fields of knowledge, the University's commitment to excellence in undergraduate education, and the importance of keeping Harvard's doors open to students across the economic spectrum. He also gained widespread support for his vision of a diverse community committed to freedom of expression.

Professor Rudenstine worked to broaden the US government's federal support for university-based research and initiated an intensive new planning and decision-making process to increase coordination among Harvard's academic and research programmes. During his tenure, he launched several major new interdisciplinary ventures, one of which was the creation of the Radcliffe Institute for Advanced Study. When Professor Rudenstine left office, Harvard was in sound fiscal condition after overseeing a capital campaign that raised US\$2.6 billion to support teaching and research across the University.

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The Hon. Chief Justice Andrew K.N. Li is the Head of the Judiciary of the Hong Kong Special Administrative Region and presides in the Court of Final Appeal. Mr. Justice Li was born in Hong Kong and received his education at St. Paul's Co-Educational Primary School and St. Paul's Co-Educational College until the completion of Form 3. He finished his secondary education in England and attended the University of Cambridge where he received

his legal education. He holds the degrees of Master of Arts and Master of Laws from Cambridge. He was called to the English Bar in 1970 and the Hong Kong Bar in 1973. Before his appointment as Chief Justice in 1997, Mr. Justice Li practised at the Hong Kong Bar, acting as Deputy District Court Judge in August 1982 and as Deputy High Court Judge in June 1991. In 1988 he was appointed Queen's Counsel.

Mr. Justice Li has a long record of public service. He was a member of the Executive Council and Steward of the Hong Kong Jockey Club. He had served as Chairman of the Land Development Corporation, and as member of the Law Reform Commission, the Securities Commission, the Standing Committee on Company Law Reform, the Banking Advisory Committee and Judicial Services Commission.

In the field of education, Mr. Justice Li was a former Chairman of the then University and Polytechnic Grants Committee. He was also the Vice-Chairman of the Council of the Hong Kong University of Science and Technology and a member of the Board of Governors of Lingnan College (as it then was). He is Vice-Chairman of the Council of his alma mater, St. Paul's Co-Educational College, and a trustee of the Friends of Tsinghua University Law School Charitable Trust and Guest Professor of that University.”

In the course of the review, we have benefited from talking to members of the Council and Senate, senior officers of the University including the Senior Management Team and Deans of the Faculties, representatives of the staff associations and students' union, several committees and working groups, alumni bodies, and staff and students in general. We are grateful for the time they have given to the Panel. About thirty written submissions have been received from members of the University, and we wish to thank all those who have commented on governance and management issues during the consultation process.

We wish to acknowledge with thanks, in particular, Dr Victor Fung, Professor Lap-Chee Tsui, Professor Ian Davies, and the Senior Management Team (especially Professor John Malpas and Professor Howell Tong) for their advice, guidance and encouragement throughout the review process.

We also wish to place on record our appreciation for the singular service provided by Eric Ng, our Panel Secretary, in assisting with the many logistical elements and through his drafting input and assistance with the production of the final report.

APPENDIX B

VISION AND MISSION OF THE UNIVERSITY OF HONG KONG

The University's Vision

The University of Hong Kong, as a pre-eminent international university in Asia, seeks to sustain and enhance its excellence as an institution of higher learning through outstanding teaching and world-class research so as to produce well-rounded graduates with lifelong abilities to provide leadership within the societies they serve.

The University's Mission

The University of Hong Kong will endeavour:

- ◇ To advance constantly the bounds of scholarship, building upon its proud traditions and strengths;
- ◇ To provide a comprehensive education, developing fully the intellectual and personal strengths of its students while developing and extending lifelong learning opportunities for the community;
- ◇ To produce graduates of distinction committed to lifelong learning, integrity and professionalism, capable of being responsive leaders and communicators in their fields;
- ◇ To develop a collegial, flexible, pluralistic and supportive environment that will attract, retain and nurture scholars, students and staff of the highest calibre in a culture that inspires creativity, learning and freedom of thought, enquiry and expression;
- ◇ To engage in innovative, high-impact and leading-edge research within and across disciplines;
- ◇ To be fully accountable for the effective management of public and private resources bestowed upon the institution and act in partnership with the community over the generation, dissemination and application of knowledge;
- ◇ To serve as a focal point of intellectual and academic endeavour in Hong Kong, China and Asia and act as a gateway and forum for scholarship with the rest of the world.

APPENDIX C

ELEMENTS OF GOOD GOVERNANCE

Along with the dramatic changes over the last decade in the environment encountered by universities worldwide, the issue of ‘Governance and Management’ is drawing intense attention. Major reviews with this focus have been conducted in Hong Kong, Australia, the United Kingdom and the United States, and include:

1. Committee of University Chairmen, *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland* (Bristol: HEFCE, 2001) [[CUC Guide](#)]
<http://www.hefce.ac.uk/pubs/hefce/2001/01_20.htm>
2. Commonwealth Department of Education, Science and Training (Australia), *Report of the Higher Education Management Review* (Canberra, 1996) [[Hoare Report](#)]
<<http://www.detya.gov.au/archive/highered/otherpub/hoare/hoareidx.htm>>
3. Dearing Committee, *Higher Education in the learning society: report of the National Committee of Inquiry into Higher Education* (London: HMSO, 1997) [[Dearing Report](#)]
<<http://www.leeds.ac.uk/educol/ncihe/>>
4. Ohio State University, *Report from the Presidential Commission on University Governance: A review of the Governance Structure of the University Senate and the Effectiveness of its role in shared governance* (Ohio, 2000) [[OSU Report](#)] <http://senate.ohio-state.edu/govreport_final.pdf>
5. Rutgers University, *Report of the Committee on University Governance and Role, Composition and Function of the Senate* (State University of New Jersey, 2000) [[RU Report](#)]
<<http://www.rci.rutgers.edu/~rusenate/gov0300.html>>
6. Scottish Higher Education Funding Council, *Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks* (Edinburgh: SHEFC, 1999) [[SHEFC Guide](#)] <<http://www.shefc.ac.uk/content/library/others/govbody.htm>>
7. Sutherland, S.R., *Higher Education in Hong Kong: report of the University Grants Committee* (Hong Kong: UGC, 2002) [[Sutherland Report](#)]
<http://www.ugc.edu.hk/english/documents/UGCpubs/her_e.html>
8. Victoria Department of Education and Training (Australia), *Report of the Ministerial Committee of Advice on University Governance in Victoria* (Melbourne, 1997) [[Victoria Report 1997](#)]
9. Victoria Department of Education and Training (Australia), *Review of University Governance* (Melbourne, 2002) [[Victoria Report 2002](#)]
<http://www.eduweb.vic.gov.au/highered/pdfs/Review_of_University_Governance.pdf>
10. Gerber, L., ‘Reaffirming the value of shared governance’ (1997), 83 *Academe*, Sept-Oct 1997, 14 and 18 [[Gerber’s article](#)]

We believe it useful to highlight, through direct quotation and close précis, the leading ideas and propositions to be found in these reviews. Some modification might be needed in specific instances to suit the circumstances of Hong Kong in general and the University of Hong Kong in particular. This said, we feel that the insights captured in this Appendix serve as a useful guide, not only to an understanding of the wider context for good governance, but also in signalling the direction in which the University of Hong Kong should be moving.

The material here is presented under six broad headings:

- A. Context and Ethos
- B. Core issues in governance
- C. Council
- D. Senate
- E. Court
- F. Interrelationships

A. CONTEXT AND ETHOS

1. [T]he current structures of institutional governance vary considerably across the sector. They have different histories and circumstances, which we respect... Governance arrangements should continue to reflect the diversity of institutions in the higher education sector [Dearing Report, 15.34].
2. Institutions of higher education are characterised by a distinctive ethos. Despite diverse backgrounds and traditions, they are united in the common purpose of the provision of teaching, and the pursuit of knowledge and research, including research which contributes to economic growth. They are also committed to the principle of academic freedom that is the freedom to question received wisdom and put forward new and possibly controversial ideas. Additionally, they are autonomous organisations, responsible for the management and direction of their own affairs. Members of governing bodies need to recognise, and be committed to, the distinctive principles and ethos of higher education in order to contribute effectively to the work of the institution with which they are associated [CUC Guide, Introduction].
3. [C]orporate governance issues being considered by universities in Canada, the UK, and the US arise correspondingly from reductions in Government funding in those countries. While each jurisdiction is different, there are striking similarities in universities' increased reliance on student fees and other sources of commercial income... Likewise, there is concern in all of the jurisdictions studied at the effect of the increasing commercialisation of universities on the discharge of their core responsibilities to society, and in some jurisdictions on the implications for relations between universities and government [Victoria Report 2002, p.15].
4. Effective academic governance is essential to the vitality of our higher education institutions and to the individual and collective maintenance of standards by the institutions. It rests on:
 - a) academic freedom within the law, properly understood and combined with academic responsibility;
 - b) rigorous attention to the standard of awards made in an institution's name and the procedures by which they are awarded;
 - c) suitable provision in employment contracts for 'whistleblowing'

[Dearing Report, 15.60].

B. CORE ISSUES IN GOVERNANCE

THE IDEA OF GOVERNANCE

5. Any discussion of the governance of a university must begin with a review of the core activities of the university. These activities are at most two in number although the proportions of the mix will vary radically. They are the transfer of understanding and knowledge, which we traditionally call teaching or education and the extension of knowledge and understanding, which we traditionally call research. Any pattern of governance must be appropriate to fostering these two activities [Sutherland Report, 3.8].
 6. The governing body exists to oversee the development and adoption of institutional strategic plans and key policies, to monitor and review the institution's overall performance and to bear ultimate accountability for the institution. Its activities should be principally those of guidance and review, rather than executive management, and its members should recognise their overriding responsibility to bring diverse viewpoints together for the advancement of the institution rather than to represent sectional interests [Hoare Report, p.3].
 7. The effectiveness of any organisation depends in the long term upon the effectiveness of its management and the arrangements for its governance. This applies particularly during periods of change and especially to higher education institutions in the years ahead. The quality of their management and governance will ...[be] ... guided by three essential principles:
 - [I]nstitutional autonomy should be respected. Whilst we take it as axiomatic that government will set the policy framework for higher education nationally, we equally take it as axiomatic that the strategic direction and management of individual institutions should be vested wholly in the governance and management structure of autonomous universities and colleges.
 - [A]cademic freedom within the law should be respected. By this we mean the respect for the disinterested pursuit of knowledge wherever it leads. This too is axiomatic, but needs to be managed responsibly by individual academics and institutions.
 - [I]nstitutional governance should be conducted openly and should be responsive to constituencies internal and external to the institution
- [Dearing Report, 15.3-15.4].
8. There is a fundamental and important difference between institutional governance – which is a primary concern of the governing body – and institutional management – which, save in exceptional circumstances, is the responsibility of the Principal/Director. The governing body has primary responsibility for developing and approving a plan to allow the institution to meet its strategic objectives. In practice the planning process will normally be led by the Principal/Director. The Principal/Director is accountable to the governing body for the implementation and delivery of the agreed strategy and for his or her stewardship and management of the institution [SHEFC Guide, 15].

9. Governance is the structure of relationships that bring about organisation coherence, authorise policies, plans and decisions, and account for their probity, responsiveness and cost-effectiveness. Leadership is seeing opportunities and setting strategic directions, and investing in and drawing on people's capabilities to develop organisational purposes and values. Management is achieving intended outcomes through the allocation of responsibilities and resources, and monitoring their efficiency and effectiveness. Administration is the implementation of authorised procedures and the application of systems to achieve agreed results [quoted in Victoria Report 2002, p.14].
10. [T]he governance and management of all successful businesses and corporations in the contemporary world require the capacity to plan and implement strategies and strategic alliances appropriate to core businesses. In the case of all but the very largest multinationals, and probably even there, this leads to the identification of business niches which determine investment in areas of strength. Universities must develop governance and management systems to promote this strategic flexibility and focus [Sutherland Report, 3.13].

THE IDEA OF ACADEMIC FREEDOM

11. [T]he governing body has a duty to take such steps as are reasonably practicable to ensure freedom of speech within the law for students and members of staff of the institution and for visiting speakers. Governing bodies must also ensure that use of the institution's premises is not denied to any individual or body of people on the grounds of their beliefs, views, policies or objectives [CUC Guide, 7.6].
12. [I]ndividual academic freedom requires from society some basic commitment and support to sustain an environment within which academic freedom might be effectively exercised and therefore to support research or publication even where this is controversial or unpopular. But there is nonetheless no such thing as an absolute entitlement to public funding to pursue any idea chosen by any academic... [I]ndividual and collective academic freedom confers responsibilities as well as rights. Within their institution or discipline, academics should be bound by proper regard for their colleagues and by the usual rules of professional academic engagement... [O]utside the institution or discipline, individual academics, as well as their institutions, share a duty of accountability, both for their work and as stewards of public resources. There is a duty to explain publicly and to professional and academic peers what is being attempted and achieved with those resources [Dearing Report, 15.62].
13. [I]ndividual members of staff (not only academic members) should be able to speak freely within the law about matters relevant to the academic operation of the institution and should be protected when they do so. 'Whistleblowing' within the law where it seeks to expose honestly judged malpractice or wrongdoing should never be a disciplinary matter... [T]his is no different, in principle, from the conduct of other public services and, as in those services, there should remain an important constraint on individuals: they must exercise this freedom lawfully, without malice and in the public interest [Dearing Report, 15.67].

THE IDEA OF UNIVERSITY AUTONOMY

14. While universities are independent and autonomous bodies, as public institutions they have explicit contracts with society and are accountable for the funds which are provided to them and for the activities which they undertake... [They] ... are also accountable to stakeholders including ... governments, staff, students and the local community [Hoare Report, p.26].

UNIQUENESS OF GOVERNANCE IN A UNIVERSITY SETTING

15. University Councils are different from company boards. They must act in the interests of a broad range of clients not just in the interests of shareholders. Their members serve in an honorary capacity and do not have a financial interest in the outcomes of their decisions. They oversee complex collegiate decision making process relying heavily on consultation and consensus rather than operating principally through a hierarchical management structure. Their legal responsibilities are different and their membership is more diverse [Victoria Report 1997, p.13].
16. [T]he ties that bind teachers, researchers and students into a community of scholars are qualitatively different from the ties that bind stockholders, managers and employees in a private business. A university is less a hierarchical bureaucracy in which those at the top can claim authority based on superior training and technical expertise to others in the organisation than it is a community in which faculty and administrators are in many ways peers who share a common educational background [Gerber's article, p.14].

PROTECTION OF STUDENT INTERESTS

17. Inevitably, there will be occasions when students complain to an institution, for example, complaint about academic judgments of their work or the quality of their experience. It is essential for good governance ... that all complaints are dealt with fairly, transparently and in a timely way... When the internal procedures within an institution are exhausted, the student should have access to an independent individual not involved in the original decision, who can review the way the case has been handled and, in non-academic matters, the decision that has been taken. Where the complaint is particularly serious, the independent individual should be drawn from outside the institution... If such procedures are adopted throughout the sector, we think an 'ombuds'-style function is not required [Dearing Report, 15.57 and 15.59].

QUALITY ASSURANCE OF GOOD GOVERNANCE PRACTICE

18. Institutions should put in place an all-embracing and systematic review, involving the senate or academic board, so that, over a five-year period, the following strategic matters are reviewed:
 - i. a participation strategy which addresses participation by those under-represented in the institution;
 - ii. a reassessment of the staff development strategy;
 - iii. determining and reassessing a formal framework for engaging with external consistencies;
 - iv. the size of the governing body and its effectiveness for decision-making;
 - v. arrangements for making academic awards in the institution's name[Dearing Report, 15.54].

C. COUNCIL

BROAD ROLE AND FUNCTION

19. Institutions need to satisfy government, students and other funders that they are making a contribution to the total costs of higher education by continually seeking better value from their resources. This is a requirement in almost all aspects of national life and is part of the new compact with higher education [Dearing Report, 15.7].
20. The council or board of governors is the executive governing body of the institution and carries responsibility for ensuring the effective management of the institution and for planning its future development. It has ultimate responsibility for all the affairs of the institution [quoted in Dearing Report, 15.32].
21. [The council] is the ultimate decision-making body in an institution... [I]ts decisions reflect its responsibility for the institution's strategic direction, reputation, financial wellbeing, the well being of staff and students, and, in association with the Senate or Academic Board, for establishing and maintaining high standards of academic conduct and probity [Dearing Report, 15.33].
22. [T]he council or board of governors of a higher education institution is the executive governing body and is responsible for ensuring that the conditions made in relation to all forms of Government grant are met. In particular, governors are required to ensure the overall financial health of the institution, the proper stewardship of public funds, value for money in spending and the adequacy of arrangements for account and audit [quoted in Dearing Report, 15.33].
23. The governing body is responsible for the institution's strategic direction, reputation, financial health, the well being of staff and students, and, in association with the senate or equivalent body, for establishing and maintaining high standards of academic conduct and probity. It is recognised that in some institutions the senate is sovereign in academic matters [SHEFC Guide, 7].
24. [The Strategic or Corporate Plan...] looks forward five to ten years or more, setting out the institution's key strategic aims and objectives, and integrates the main areas of institutional activity. As such a plan might cover:
 - the mission or vision
 - external and internal factors likely to impact on the institution and how the strategy responds to these
 - the current strategic position of the institution
 - long-term aims
 - principal objectives
 - financial strategy
 - main proposals for implementation and associated targets

[CUC Guide, 4.29].

25. [T]he governing body has three primary roles in the university: external accountability; strategic planning oversight; and performance monitoring [Hoare Report, p.26].
26. As the peak governing body for universities, the Council ... should have ultimate responsibility for external accountability. Accountability seeks to ensure that funds are spent for the purpose for which they are allocated. It also seeks to ensure value for money by focusing on effectiveness (attainment of intended results) and efficiency (highest level of outputs or required quality and quantity of outputs for minimum inputs) [Hoare Report, p.26].
27. The governing body should have strategic planning oversight for the university. It should set the broad strategic framework within which the Vice-Chancellor and senior university administrators can operate. It is important that the governing body does not get caught up in a 'local response syndrome' but should confine itself to strategic and policy issues. Similarly, the governing body is not equipped to determine matters of academic policy or of academic standards. These aspects come under the responsibility of the peak academic authority [Hoare Report, p.26].
28. The governing body should ... be responsible for the overall review and performance monitoring of the operations of the university, relying on the advice of the academic ... senate for monitoring academic standards and performance. This should be seen as an integral part of the strategic planning and accountability responsibilities of the governing body. The governing body should monitor the performance of the institution against key objectives and this should form the basis of reports for accountability purposes to external and internal stakeholders [Hoare Report, p.26].

SPECIFIC RESPONSIBILITIES

29. The council ... is responsible for the university's finances and investments and for the management of the university estate and buildings. It has authority to make contracts on behalf of the university and to enter into loans and mortgage agreements. In many cases it also has responsibility for the oversight of teaching and research. University statutes will normally state that, subject to the powers of the senate in academic matters, the council has responsibility for the conduct of all the affairs of the university [CUC Guide, 3.2].
30. [T]he specific responsibilities of members of the governing body in respect of audit are:
 - to appoint the audit committee
 - to consider, and where necessary, act on an annual report from the audit committee
 - to consider and approve the strategic plan of the internal audit service (unless this is delegated to the audit committee)
 - to appoint the external auditors (unless this function is delegated to the audit committee)
 - to receive and approve the annual financial statements after they have been audited by the external auditors, and to forward the external auditors' management letter to the Funding Council

[CUC Guide, 5.14].

31. One responsibility of governing bodies is to ensure that the accountabilities of individuals and of committees which support institutional decision making are well defined. This needs to include a clear understanding of which powers are retained by the governing body and which are devolved to other committees [Dearing Report, 15.43].
32. [U]niversity councils ... [should] ... adopt among their primary responsibilities:
- i. to appoint the Vice-Chancellor as the university's chief executive officer, and to monitor her/his performance;
 - ii. to identify the mission and strategic direction of the university;
 - iii. to define policy and procedures consistent with legal requirements and community expectations;
 - iv. to establish and monitor systems of control and accountability including monitoring controlled entities;
 - v. to review and monitor both the management of the university and its performance as an institution; and
 - vi. risk management
- [Victoria Report 2002, p.6].

SIZE AND COMPOSITION

33. It is an important principle that the council has a lay majority, that is a majority of members who are not staff or students of the university. Its membership is specified in the statutes by class of appointment and will typically include officers of the university, both lay and academic, members appointed by the court, members appointed by the senate, co-opted members, local authority representatives, elected staff members and student representatives [CUC Guide, 3.3].
34. [T]he representation of staff and students on the governing body is important in all institutions, and it is strongly recommended that governing bodies should not exercise their power to exclude such members [CUC Guide, 4.50].
35. Effective governing bodies will have a majority of lay members... Governing bodies will also want to ensure a balance of new and more experienced members. We therefore consider that governing body members should not serve for more than two terms, usually three to four years each, unless they also hold office. Once appointed, members must act in the best interests of the institution and not as delegates of a particular constituency. There should be a register of members' interests... Effective governing bodies will also, to have legitimacy, include as full members some who are drawn from the students and staff of the institution. In some institutions, ... student and staff members find it difficult to discharge their responsibilities towards the institution rather than the groups from which they are drawn. They may need training to help them become confident and effective governors [Dearing Report, 15.45-15.46].
36. We think there are very good reasons for governing bodies not to be over-large, specifically, above the range of 12 to 25 members prescribed in the Further and Higher Education Act 1992. We think, therefore, a ceiling of 25 should be the general practice for institutions [Dearing Report, 15.49].

37. Continuity of membership, particularly of key members, is often important to an institution, but so is the need for new blood. Lay/independent members should be appointed for a given term, which should be renewable... The renewal of any appointment should not be automatic, but should be recommended by the nominations committee as part of its report on filling vacancies. In normal circumstances, continuous service beyond three terms of three years or two of four is not desirable (although exceptions may be permitted) [*CUC Guide*, 4.48].
38. An appropriate balance between internal and external members is particularly important to the proper functioning of governing bodies. The majority of governing body members should be external to the university. This will bring a proper balance of external perspectives to bear on the strategic directions of the institution and will allow for checking against internal perspectives. It is particularly important that external members who are appointed to the governing body are motivated and able to participate fully to ensure that internal members are not in the majority when decisions are taken [*Hoare Report*, p.33].

TERMS OF SERVICE

39. [A] proportion of members should be replaced regularly and appointments to the body should be made on a three or four year rolling basis with a usual maximum of, say, no more than two or three terms [*Hoare Report*, p.39].

OPERATION AND PERFORMANCE

40. Governing bodies are entrusted with funds, both public and private, and therefore have a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of their business, and wherever possible following a policy of openness and transparency in the dissemination of their decisions [*CUC Guide*, 1.4].
41. Pressures for greater openness are considerable and should be respected... [T]he governing body's review, as reported in the annual report, will form an essential part of the accountability of the institution towards its constituencies [*Dearing Report*, 15.56].
42. Councils normally meet between three and six times a year. A great deal of council business will be conducted through committees concerned with finance, property and capital development, or through joint committees of the council and the senate concerned with university strategy, resource allocation or employment, with the committees bringing forward recommendations for the council's approval... Many councils are seeking to organise their agendas in such a way as to give more time to the consideration of issues which are of major strategic significance to the institution [*CUC Guide*, 3.5].
43. Institutions should have a register of interests of members of the governing body. The register should be publicly available and should be kept up to date [*CUC Guide*, 4.19].
44. The Vice-Chancellor should provide the governing body with regular, formal reports on the operations of the university. These reports should primarily be focused on progress against the

agreed set of objectives by which the Vice-Chancellor will be assessed. The reports should also include any significant developments occurring in the institution. This will assist the governing body to assess the performance of the Vice-Chancellor, and will also assist the governing body to fulfil its accountability role [Hoare Report, p.36].

45. [T]he governing body should ensure that its members and potential members can meet all their responsibilities effectively by having:
- clear guidelines on the roles and responsibilities of members;
 - proper induction; and
 - continuing skilling and development ...

[Hoare Report, p.40].

COMMITTEE ARRANGEMENTS

46. The council will carry out many of its functions through committees: in particular it will often have, jointly with the senate, a resources or strategy committee which is responsible for planning the development of the university, bringing together academic priorities, financial considerations and building needs [CUC Guide, 3.2].
47. It is common practice for the governing body to delegate some of its work to committees such as a planning and resources committee, or finance and general purposes committee [CUC Guide, 4.37].
48. All committees must be provided with a clear remit and written terms of reference, clearly stating the extent and limits of the committee's responsibilities and authority... Committees should distinguish between issues on which they are empowered to take decisions, and issues which they must remit to the governing body for decision. Where a committee is acting under delegated powers it should submit regular written reports to the governing body on decisions which it has taken on the governing body's behalf [CUC Guide, 4.39].
49. The audit committee should be a small, authoritative body which has the necessary financial expertise and the time to examine the institution's financial affairs more rigorously than the governing body as a whole. It should not confine itself to financial systems and details but should be prepared to take an independent stance, examine matters critically and be alert for potential areas of concern (including fraud and malpractice), which it should then bring to the attention of the governing body [CUC Guide, 5.12].
50. [O]ther mechanisms ... could be used to ensure that the views of stakeholders can be considered without direct representation. For example, ... advisory groups consisting of staff, student and community representatives that consider issues and make recommendations to a board of directors, but are not involved in the final decision making [Hoare Report, p.33].
51. [M]uch of the work of governing bodies is undertaken by committees in most universities. These committees may meet more frequently than the governing body, involve a wider range of members and can focus on specific aspects of the governing body's functions. However, care

must be taken to ensure that the committee does not undermine the effective operation of the governing body in discharging its responsibilities. Many of these committees can include members who are not members of the governing body. This is appropriate and should assist the institution to ensure that the correct mix of skills and knowledge is available on these committees. In particular, financial skills may be needed and the committees should be seen as an important place where staff members can be involved. This committee work should be seen as an integral part of the responsibilities of members of the governing body and members should be encouraged to participate on them. Committees should also be seen as appropriate training opportunities for potential members of the governing body [Hoare Report, p.37].

52. [G]overning bodies may operate more effectively if task forces with sunset clauses [are] established to achieve certain outcomes rather than having a large number of ongoing committees [Hoare Report, p.37].

MEMBER QUALITIES AND DUTIES

53. [T]he quality of membership of the governing body is crucial. Legitimate institutional governance requires that members of the governing body are appointed on the basis of merit, taking account of any necessary balance of expertise and interests and the institution's requirements [Dearing Report, 15.44].
54. In practical terms [the principles defined by the Committee on Standards in Public Life] require that the governing body and its members should observe the highest standards of integrity, objectivity and honesty in the transaction of all its business. It should follow a policy of openness and transparency, and should be accountable for its stewardship of public and other funds. Governing bodies should adopt codes of conduct for their members, embodying the seven general principles. In addition, governing bodies should seek to maximise value for money through ensuring that services are delivered economically, efficiently and effectively [SHEFC Guide, 6].
55. Members nominated by particular constituencies should not act as if delegated by the group they represent. No member may be bound, when speaking or voting, by mandates given to him/her by others, except when acting under approved arrangements as a proxy for another member of the governing body [CUC Guide, 4.20].

CODE OF PRACTICE

56. [T]here is merit in deriving a code of practice for governance, and that institutions should report in their annual report on their compliance with the code... The purposes of the code ... are straightforward. First, to ensure that institutions' governing bodies can make their decisions in a way which is effective, transparent and timely. Secondly, to provide a basis for familiarity with the governance arrangements within institutions. Thirdly, to ensure there is appropriate membership of the ultimate decision-making body. Fourthly, to ensure that governing bodies can meet their obligations to their wider constituencies inside and outside the institution [Dearing Report, 15.37-15.38].

COUNCIL EFFECTIVENESS

57. The effective conduct of an institution's business requires the creation of relationships of confidence, trust and sharing of information between the Principal/Director, the Chairperson and members of the governing body [*SHEFC Guide*, 5].
58. [G]overning bodies should review both their own effectiveness and the institution's performance at regular intervals. Any such review of performance should take into account the views of the senate or academic board, and should be reported upon appropriately within the institution and outside [*CUC Guide*, 4.55].

D. SENATE

BROAD ROLE AND FUNCTION

59. [T]o function properly, universities need to have an independent and vigorous academic authority. This academic body should monitor academic policy and standards as well as protecting academic freedom of individual staff members. There should also be appropriate links between the academic body and the governing body [*Hoare Report*, p.37].

SPECIFIC RESPONSIBILITIES

60. The senate is chaired by the vice-chancellor. Unlike the council and the court, its membership is drawn from within the university except where representation is accorded to external institutions for academic purposes. It consists of academic staff, with the proportion of staff in the various grades (professorial, non-professorial, research etc) varying between universities. Student representatives are also included. Senates vary in size from under 50 to well over 100 members [*CUC Guide*, 3.7].
61. The senate's specific responsibilities normally include:
 - academic strategy
 - promotion of research
 - approval of content of curriculum and new programmes
 - academic standards
 - procedures for the award of qualifications
 - appointment of internal and external examiners
 - policies and procedures on examinations
 - criteria for admission
 - student discipline

[*CUC Guide*, 3.7].

SIZE AND COMPOSITION

62. The Senate should continually strive to have the membership reflect the overall diverse fabric of the University... [It] should also strive to be broadly inclusive of large constituent groups that are affected by Senate policies... [OSU Report, p.22].

OPERATION AND PERFORMANCE

63. The Senate shall concern itself with all academic matters pertaining to the University. Taking into account the diverse functions of the separate units of the University, it shall establish minimum standards respecting admission, scholarship and honours. The Senate shall also regulate formal relationships among academic units within the University, including the organisation of disciplines [and] recommended norms for teaching loads ... [quoted in RU Report, p.1].

E. COURT

64. Institutions will need a mechanism which provides an interface with the wider community... [A]n effective advisory Court or equivalent should complement an effective council or governing body... Whilst the Council or governing body must be responsible for the strategic direction and decisions of the institution, the Court, or similar body, can act as a sounding-board and mirror for the institution in its relationships with the wider community of interests... This body should not have any decision-making powers [Dearing Report, 15.52-15.53].
65. Successful institutions are characterised by a full and mutually respectful partnership between academic and non-academic members of the institution, in which the academic members of each institution individually and collectively take full responsibility for maintaining the standards of those awards... Whilst members of the academic board or senate carry particular responsibilities, these are shared by those involved in other bodies and committees within the institution, including examination boards, research boards, faculty committees and validation panels [Dearing Report, 15.64].
66. The governing body will rely on the executive head of the institution to be responsible for the operational management of the institution, and to offer guidance to the governing body on issues coming before it [CUC Guide, 4.27].
67. The court has a formal role and does not take part in the day-to-day oversight of the university's affairs or in the decision-taking process. It offers a means whereby the wider interests served by the university can be associated with the institution, and it provides a public forum where members of court can raise any matters about the university [CUC Guide, 3.8].

F. INTERRELATIONSHIPS

68. The senate is responsible for regulating and directing the academic work of the university... Constitutionally, the senate reports to the council. Decisions of the senate on academic matters which have financial or resource implications are subject to approval by the council. Conversely, decisions by the council which have academic implications (for example the creation or closure of an academic department) are subject to consultation with the senate, and the senate would normally be the initiating body in such matters [*CUC Guide*, 3.6].
69. Institutional governance differs from institutional management: it is concerned with deciding overall policy, guidance and review rather than executive management or operational delivery [*Dearing Report*, 15.32].
70. [There should be an unambiguous identity of the governing body.]... This requires that each institution understands where the ultimate authority for decision-making lies within the institution and therefore that the identity of the governing body is unambiguous. Correspondingly, it is important that the accountability for decisions taken on behalf of the institution is clearly understood. Otherwise, the decision-making requirements upon institutions cannot be met [*Dearing Report*, 15.42].

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