

Executive Summary

In the 21st century universities play a central role in economic and social development. The growth in scale and complexity of the modern university has created new challenges for senior managers and for the oversight of university affairs by their governing bodies.

With this in mind the Hong Kong University Grants Committee (UGC) commissioned this Report in 2014, the first review of university governance since the Sutherland Report of 2002. The present Report begins by setting out the key issues which universities must consider when determining any changes to their governance structure. It then continues by providing some brief comparative information on the situation in a number of other countries and from this analysis identifies a number of themes which formed the basis of discussions with key stakeholders in Hong Kong. The responses are summarised in Part 4 of this Report. Part 5 discusses the importance, desirability and nature of a code of practice on governance.

While there are many definitions of the term “governance”, here it refers to how universities are structured and managed in such a way as to lead to effective performance in achieving desired outcomes and the satisfaction of stakeholders. This reflects recent developments in the corporate world, where robust systems of governance are recognised to be a requirement for sustaining public trust and stakeholder confidence. Universities are not exempt from these obligations, not least because of the increasingly competitive and globalised environment in which they operate. A persistent theme of this Report is the necessity to strike an appropriate balance between university autonomy and public accountability in a publicly-funded university system. Effective governance supports and sustains autonomy; poor governance undermines it. Therefore, good governance is not a threat to the collegial traditions of autonomous universities. Rather, it helps to guarantee the autonomy of universities by sustaining and nourishing public confidence in them.

Part 2 of this Report summarises, somewhat selectively, recent developments in university governance in a number of countries – the United Kingdom, the United States of America, Australia, Canada, New Zealand and Singapore. Part 3 uses these international comparisons to identify a number of themes that are relevant to the current situation in Hong Kong and which formed the basis of a discussion paper that was sent to nearly one hundred stakeholders in April 2015. These themes form the basis of the recommendations set out in Part 4. The full list of recommendations is set out in Appendix 1.

The first theme concerns the processes of recruitment, induction and continuing professional development for council members. Given the complexity of the modern university, council members often take some considerable time to become confident and knowledgeable about the issues they encounter. There was a universal endorsement of the need to organise a more consistent approach to induction and orientation. Part of this should relate to the workings of their own institution; but another part should enable them to be briefed on the wider context of higher education, both in Hong Kong and elsewhere. It

is recommended that individual institutions develop a more consistent approach to the induction of their council members and that the UGC organises an annual event for new council members which briefs them on the wider context. It is also recommended that each university maintains a skills template to which they can refer when considering the present and future skills requirements of council members. This can be taken into account as part of the candidate identification process.

The second theme concerns the fiduciary responsibilities of council members. Their fiduciary responsibilities relate not only to the need for public and transparent accountability of expenditure, but also to a wider sense of stewardship: the long-term sustainability of their university educationally, financially, and culturally. These responsibilities relate both to the internal affairs of the university and to the legitimate interests of external stakeholders. At the heart of these responsibilities lies the balance to be struck between university autonomy and public accountability, a balance which can shift over time in accordance with changes in the external environment in which a university operates. This section concludes that improvements can be made in the existing system. The processes of accountability could be made more streamlined and more open to agreed public policies for higher education. There is much to admire in the way in which the accountability for public funds is transacted. However, there is merit in setting out the duties and responsibilities associated with public funding in a formal memorandum on which the university reports annually.

All institutions in the UGC sector produce strategic plans and these form the basis of significant dialogue with both the UGC and other external stakeholders. While the drafting of the strategic plan and the management of the strategic planning process is a matter for the senior management of the university, all members of council need to feel a sense of ownership of the plan, since it acts as a necessary reference point when it comes to making decisions on particular university policies and initiatives. While the extent of council involvement is variable, it was the near-universal opinion of lay council members that their ability to monitor the progress being made to achieve agreed strategic planning goals and objectives was deficient. In particular, it was felt that there was much work to be done to develop key performance indicators which would enable them to exercise effective oversight. It is recommended that all institutions establish a set of key performance indicators which are timely and relevant and which allow council to assess the progress towards the priorities agreed in the strategic plan. There is a training need here for middle and even senior managers.

The fourth theme concerns risk management. In general, the management of risk is underdeveloped in Hong Kong universities, especially reputational risks. As uncertainties increase in the fast-moving world of higher education, the management of risk requires considerable thought and oversight. Yet there is no widely-deployed risk management system across the sector and there are no risk registers compiled or reviewed at institutional level. There is, though, an increasing interest in risk management by both senior managers and lay council members. They are both aware that major initiatives which could impinge upon financial sustainability and institutional reputation need to be underpinned by a more systematic methodology of risk assessment and council oversight. It is recommended that each council should therefore draw up a risk register which is reviewed at least annually

and, ideally, more frequently.

The scale and complexity of the modern university means that it is not practical to expect that all significant university business can be scrutinised in depth by the council itself. Councils therefore operate through a committee structure within which detailed debate can be undertaken and appropriate recommendations made. It is recommended that each council should publish a scheme of delegation whereby council itself can be reassured that there are in place effective systems of delegations and reporting back.

Part 5 of the Report discusses the importance, desirability and nature of a code of practice on governance. Many countries maintain such a code, typically on a voluntary basis, and it is often seen as an essential adjunct of good governance by sustaining public confidence. A typical code of practice on governance consists of two key areas: a statement of certain core values concerning how institutional governance is conducted; followed by the identification of the primary responsibilities of the governing body that supports these core values.

Finally it is recognised in this Report that good governance is not a static state of affairs, but a journey. Good governance will evolve over time. Therefore it is recommended that the UGC should undertake a review of governance on a regular basis, ideally every five years.

Hong Kong can be proud of its universities and the quality of their teaching, research and outreach. The reputation of the sector remains high in the outside world. Good governance will help to ensure that Hong Kong's universities will continue to flourish in the future.