

The University of Hong Kong



**Guide and
Code of Practice
for
Members of the Council**

February 2004

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Foreword

Universities are characterised by a distinctive ethos in that every university is committed to the discovery and transmission of knowledge and understanding – activities which are more commonly known as research and teaching/learning – both for their own sake and for contributing to the cultural and socio-economic development of our society. Universities 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. Closely related to academic freedom is the concept of institutional autonomy, and a university is responsible for the management and strategic direction of its own affairs. Members of the Council 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 University.

During 2002-03 the University conducted a major review of the fitness for purpose of its governance and management structures, as recommended in the Sutherland Report published by the University Grants Committee (UGC) in March 2002. In the processes of producing and implementing the *Fit for Purpose* report, the importance of governance was, quite properly, recognised as a critical element of higher education. A principal outcome of the review has been the increasing recognition of the distinction between governance (whereby the University is held accountable to the public) and management (which is the responsibility of the Vice-Chancellor and his senior managers). The governance structures, including the size and composition of the Council and Senate, have accordingly been remodeled to international best practice. The launch of this document follows the reconstitution of the Council on November 1, 2003, under the Amendment Statutes (2003) of the University of Hong Kong. The document is divided into two parts – a Guide followed by a Code of Practice – and aims to assist members of the Council in the discharge and performance of their duties. This document can only give a broad overview. Members of the Council should refer to the Registrar for more detailed information and further guidance about the internal arrangements of the University or about issues of conduct raised in the Code of Practice. The document will be updated from time to time to take into account various changes in the University and experiences of best practice in corporate governance.

Victor Fung
Chairman of Council

PART A

GUIDE TO

STRATEGIC GOVERNANCE

1 A Brief Introduction to the University of Hong Kong

1.1 The University of Hong Kong (HKU) is the oldest tertiary education institution in Hong Kong. Its total land holding is about 49 hectares which cover some 39 hectares of land in the University campuses that stretch along the north-western slopes of Hong Kong Island between 50 and 150 metres above sea level; and 10 hectares of land are in the New Territories for the University's Kadoorie Agricultural Research Centre. It provides a total gross floor area of about 501,500 square metres for teaching, research, office accommodation, amenities and residential purposes.

1.2 On March 16, 1910, Sir Frederick Lugard, the then Governor of Hong Kong, laid the foundation stone for the University, signifying the birth of Hong Kong's first tertiary institution. Two years later, the University celebrated its official opening together with its two founding Faculties of Engineering and Medicine (the latter was successor of the Hong Kong College of Medicine, established in 1887). In December 1916, the University held its first Congregation with 28 graduates.

1.3 During the 1920s and 1930s, the University grew in size and reputation, and achieved international recognition in its academic performance. Before the outbreak of the Second World War, which temporarily arrested the otherwise steady progress of the University, there were four Faculties – Arts, Engineering, Medicine, and Science.

1.4 When the war was over, the University underwent structural developments as post-war reconstruction efforts began in earnest. In order to cope with the exponential rise of Hong Kong's population, the University multiplied its intake and doubled the number of its teaching staff.

1.5 In 1961, when the University celebrated its golden jubilee, the number of students was more than 2,000, four times what it was in 1941. It was the oldest university of the then dependent territories of the Commonwealth except for the University of Malta, and remained the only university in Hong Kong. It was however no longer regarded as a university for the rich.

1.6 The past few decades witnessed the University's extraordinary growth, concurrent with Hong Kong acquiring a phenomenally international stature. The University today (2004-05) has a student population of over 12,900 enrolled on regular degree programmes funded by the University Grants Committee (UGC), including 9,100 undergraduate students and 3,800 postgraduate students (of which 1,800 are M.Phil. and Ph.D. candidates). From the modest beginning of only two Faculties, the University has grown to embrace almost all the major areas of teaching and research, and it can confidently claim to be one of the best and most

well-established universities in the region. There are now ten Faculties, offering 47 first degree programmes and 50 Master's degree curricula. In addition, all Faculties and their departments provide teaching and supervision for research (M.Phil. and Ph.D.) students. The University has been actively engaged in the provision of professional and continuing education and some 7,200 students are currently enrolled on self-financed continuing education programmes offered by the Faculties. As the extension arm of the University, the HKU School of Professional and Continuing Education (SPACE), which was established in 1956, is the leading local provider in the field of continuing education and lifelong learning opportunities. Over 1,000 programmes and short courses are currently run by HKU SPACE with a total enrolment of over 100,000 students.

1.7 In research, more than 2,240 projects with an overall budget of HK\$1,162 million were conducted in the University during the year 2003-04. These projects were financed by grants from different sources. In the past, academic staff were also involved in a further 220 identifiable research projects which did not receive any dedicated funding support.

1.8 The bulk of the University's finances is borne by the Government of the Hong Kong Special Administrative Region. The total recurrent grants allocated to the University for the triennium 2005-08 amount to some HK\$ 6,158 million. The remaining major sources of recurrent income are investment income and income from tuition fees.

2 Legal Status and Framework of Governance

2.1 The University is legally independent and is accountable through a governing body which carries ultimate responsibility for all aspects of the institution. The University of Hong Kong is incorporated under a Hong Kong *Ordinance*, which outlines the University's powers and duties, privileges, and constitution. The Ordinance empowers the University to make, repeal and amend *Statutes*. The Statutes set out in detail important constitutional and procedural matters. Supplementary to the Ordinance and Statutes are the *Regulations*, which provide for the orderly conduct of day-to-day operations. The Ordinance and the Statutes can only be amended by resolution of the Legislative Council, whilst the Regulations are under the custodianship of the University.

2.2 The Ordinance and Statutes provide for the machinery of government and the structure of governance, and set out the *officers* and bodies in whom all powers rest and upon whom all duties devolve. The principal governing bodies for which the Ordinance and Statutes provide are the *Court*, the *Council*, the *Senate* and the *Boards of the Faculties*. Of these, only the Council and Senate are empowered by the Ordinance to make Regulations. All of these bodies may form *committees* and delegate their powers, but not responsibilities, to such committees as they see fit.

Court

2.3 The Court is a large overseeing and legislative body comprising representatives of the University and of various constituencies of the local community, known as the stakeholders. The Court is mainly a formal body, and it does not take part in the decision-taking process. The Court offers a means whereby the wider interests served by the University can be associated with HKU, and it provides a public forum where members of the Court can raise any matters about the University.

2.4 The Court is presided by the Chancellor, who is the Chief Executive of the Hong Kong Special Administrative Region, and includes members of the Council, the Senate and other stakeholders from the local community. It normally meets once a year to receive from the *Vice-Chancellor* a *Review* of the year's highlights and from the *Treasurer* the *Financial Report* of the University. In addition, amendments to the University's Statutes require the approval of the Court.

Council

2.5 The Council is *de facto* the supreme governing body of the University. It is responsible for the University's finances and investments, the management of estate and buildings, staff appointments and terms and conditions of service, and drafting of Statutes. The Council comprises University members (both staff and students) and *lay members* (i.e. persons who are not employees of the University), and the membership is specified in the Statutes by category of appointment. It is an important principle, adopted by many international universities, that the Council has a lay majority, with one of the lay members assuming the position of Chairman. The ratio of lay to University members is 5:3.

2.6 The Council meets on a regular basis throughout the year. A great deal of Council business is conducted through committees which have been delegated many of the Council's powers and duties. Three categories of committees play a central role in supporting the proper conduct of the Council's business:

- Strategic and Governance Committees
- Management and Operational Committees
- Liaison and User Committees.

2.7 The Council will regularly review how it conducts its business and organise the agenda in such a way so that meetings are consequential one from another. It will also ensure that more time is given to the consideration of issues which are of major strategic significance to the University.

Senate and Boards of the Faculties

2.8 The Senate is the principal academic authority of the University. Its powers and duties lie in the area of academic matters, research management and strategy, education quality and standards, curricula, admission criteria, policies on examinations, the management of facilities for teaching and learning (libraries, laboratories, etc.) and of halls of residence, student discipline, and providing for the welfare of students. 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 (e.g. the creation or closure of a teaching department) are subject to consultation with the Senate, and the latter would normally be the initiating body in such matters.

2.9 The Vice-Chancellor chairs the Senate which comprises mainly academic staff and students, including the Deputy Vice-Chancellor, the Pro-Vice-Chancellors, the Deans of Faculties, the Chairmen of the Boards of Faculty, teaching staff at both professorial and non-professorial levels elected by their peers, the Dean of the Graduate School, the Director of HKU SPACE, the Librarian, the Dean of Student Affairs and undergraduate and postgraduate student members elected by the student bodies. The size of the Senate is set at 50 members.

2.10 The Senate has delegated some of its powers and duties to the Boards of the Faculties, and to the many committees it has set up. The Boards of the Faculties are responsible to the Senate for teaching and other work of the Faculties. The membership of the Board includes all full-time teachers of the Faculty, other teachers from within and outside that Faculty, and students of the Faculty concerned. Non-teachers may also be appointed to the Boards.

Officers of the University

2.11 The Ordinance and the Statutes provide for a number of officers, including those described in the following paragraphs.

2.12 The *Chancellor* is formally the chief officer of the University and President of the Court. The Chancellor also presides at ceremonial functions, such as the Degree Congregation.

2.13 The *Pro-Chancellor*, on behalf of the Chancellor, exercises the powers or performs the duties conferred on the Chancellor, on the authorisation of the Chancellor, or in his absence.

2.14 The *Vice-Chancellor* is defined in the Ordinance as the principal academic and administrative officer of the University, and has overall responsibility for the executive management of the University and for its day-to-day direction. The Vice-Chancellor is accountable to the Council for the exercise of these responsibilities, and is responsible for ensuring that the University complies with the terms and conditions specified by the UGC for the use of public funds. The Vice-Chancellor also chairs the Senate and, as specified in the Statutes, is an ex-officio member of all Senate and Council committees (except the Disciplinary Committee).

2.15 The *Treasurer* is appointed by the Council and is one of its lay members. The Treasurer is Chairman of the University's Finance Committee.

2.16 The *Deputy-Vice-Chancellor* and the *Pro-Vice-Chancellors* are appointed by the Council for a fixed period as specified by the Council. They will be full-time appointments, and each is normally given a particular portfolio to assist the Vice-Chancellor in specific areas.

2.17 The *Deans of Faculties* are appointed by the Council for a fixed period of normally five years. They are responsible for the strategic directions and the management of their Faculty.

2.18 The *Registrar* is a senior member of the administrative staff, and is designated in the Statutes as secretary to the Council and the Senate.

2.19 The *Director of Finance* is responsible to the Council for the keeping of all University accounts, and is answerable to the Vice-Chancellor for the discharge of duties in connection with the University finance.

2.20 The Ordinance and the Statutes also designate the *Librarian*, the *Dean of Student Affairs* and the *Director of Estates* as officers of the University, although members of the Council tend to have lesser direct dealings with them on governance matters.

Academic Organisation

2.21 The principal academic units of the University involved in teaching and research are the teaching departments which are organised into Faculties, of which there are 10 – Architecture, Arts, Business and Economics, Dentistry, Education, Engineering, Law, Medicine, Science, and Social Sciences. The Faculties of Dentistry and Education have, however, each organised itself into a unitary structure, without departments but with various disciplines. The sizes of the remaining Faculties vary, ranging from 2 to 17 teaching departments. There are also other academic units, referred to as sub-divisions of studies and learning, that may lie within the faculty structure (e.g. Language Centre) or outside it (e.g. English Centre). Some of these units have a physical existence with staff structure to provide teaching and undertake research (e.g. Centre of Asian Studies and Centre of Urban Planning and Environmental Management), whilst others are ‘virtual centres’ with the aim of bringing people together to undertake interdisciplinary work. There is also a Graduate School which looks after research students in the University. Although HKU SPACE is a separate legal entity, it is regarded as an academic unit of the University, providing continuing education and lifelong learning opportunities to the community.

Academic Support and Administrative Services

2.22 The academic support services include the *University Libraries* (a general library and specialist libraries for medicine, dentistry, law, education and music), the *University Museum and Art Gallery*, the *Computer Centre* (servicing both academic and administrative computing), the *Technology Support Centre*, the *Hong Kong University Press*, the *Safety Office*, and *Student Services* (including Careers Education and Placement Centre, Office of Student Affairs, and Personal Development and Counselling Centre), and the *University Health Service*.

2.23 The administrative functions are undertaken principally within three departments – the *Registry*, the *Finance and Enterprises Office* and the *Estates Office*. In addition, the Strategic Planning Unit and the Management Information Unit provide support to the Vice-Chancellor's Office, and the Development and Alumni Affairs Office is responsible for institutional advancement and alumni relations.

2.24 The Registry is responsible for providing secretariat support to the governing bodies (i.e. servicing the Council, the Senate, the Boards of Faculty and the Court), academic services and development, human resource management, research management and education, university relations and communications, international exchange, and general administrative support. The Finance and Enterprises Office is responsible for financial management of accounts, management accounting, financial planning and budgeting, and value for money audits. The Estates Office is responsible for all aspects of facilities management functions, including design and management of facilities development, overseeing the construction processes to the provision of property management services.

Enterprises of the University

2.25 The University first established a subsidiary company in 1990, when the Poon Kam Kai Institute of Management was set up. This was followed in 1994 by the incorporation of Versitech Limited. Since then, 8 further associated companies and subsidiaries directly owned by the University, and 4 subsidiaries indirectly owned by the University have been created. Versitech Limited has 5 spin off companies with a total capital value of HK\$65.7 million of which HK\$38.7 million is contributed by the company.

2.26 The principal activities of the major companies are described below:

- *Poon Kam Kai Institute of Management*, incorporated in 1990, provides executive training and consultancy services to the local community in conjunction with the Faculty of Business and Economics.
- *Versitech Limited*, incorporated in 1994, handles contract research and technology transfer activities undertaken by members of the University staff.
- *HKU School of Professional and Continuing Education*, incorporated in 1999, provides professional and continuing education and lifelong learning opportunities to the public.
- *HKU-Pasteur Research*, incorporated in 1999, is a joint venture with Institut Pasteur in France, set up to carry out joint research and development programmes in various fields of medicine, and to facilitate technology transfer and expertise from the Institut Pasteur to the University.
- *Policy 21 Limited*, incorporated in 2000, undertakes general and contract research work, particularly on issues relating to social matters.

Committee Structure

2.27 Committees are provided with a clear remit. Every standing committee, formally established by the Court, the Council or the Senate, is provided with the terms of reference which set out the powers and duties, membership and other relevant factors for its proper functioning, to ensure that members of the committee concerned are clear about the extent and limits of that committee's responsibilities and authority. A committee is normally empowered to take some decisions under delegated authority, but some issues must remit to the parent body for decision.

Standard of Corporate Governance

2.28 There are two committees which play a central role in supporting the proper conduct of Council business generally and in ensuring that the University conforms to the highest standards of corporate governance. They are the *Audit Committee* and the *Nominations Committee* (there are other committees supporting the Council – most notably the Finance Committee, the Human Resource Policy Committee, and the Campus Development and Planning Committee that deal with specific aspects of the Council’s responsibility).

2.29 The role of the Audit Committee is covered in the next section of this Guide. The role of the Nominations Committee is to seek out and recommend lay members to the Council for appointment by the Council itself. The Nominations Committee is chaired by the Chairman of the Council, and includes one lay member of the Council, the Vice-Chancellor and one academic member of the Council. Vacancies for lay members should be publicised, and staff and students as well as members of the Council should be invited to submit names to the Registrar for transmission to the Nominations Committee. This will ensure that a wide trawl for names is achieved. In making its recommendations to the Council, the Committee will seek to achieve a balance of membership in terms of expertise and experience in order to meet the needs of the University.

3 Steering and Monitoring the Effective Use of Resources

3.1 The largest proportion of the University's income comes from the Government and is made available via the UGC. Accordingly, the University is fully accountable to the public for the proper management of financial resources. Two of the largest assets paid for out of the University budget are people (which is the most valuable asset) and the physical estate (which creates the first impressions of the University).

Internal Financial Control Mechanisms

3.2 The University needs to ensure that it has a sound system of internal financial control, which includes the management of risks. Essential elements of such a control system are:

- effective review of the Council;
- managerial control systems which include defining policies, setting objectives and plans, identifying key risks and opportunities, and monitoring financial and other performance;
- financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems;
- an effective internal audit function; and
- an effective system for the identification and management of risks.

3.3 In formal terms, internal financial control is usually exercised through a committee system. The Council has overall responsibility for institutional activities and finance, and is responsible for broad strategic planning and the allocation of resources to meet such plans. Detailed monitoring of the financial position and financial control systems is the responsibility of the Finance Committee. The Finance Committee is a statutory body, and all matters within the jurisdiction of the Council that have important financial implications should be referred to the Finance Committee. Before the beginning of each financial year, the Finance Committee has to prepare draft estimates of income and expenditure for consideration and, if appropriate, approval of the Council.

3.4 The day-to-day financial control is exercised by officers of the University. The Treasurer has a constitutional role in presenting financial statements and reports to the Council and the Court. However, the practical responsibility for administering the finances and advising on financial matters falls to the Director of Finance who is professionally qualified and a full-time employee of the University. The Director of Finance is responsible to the Council for the keeping of all accounts, and to the Vice-Chancellor for the discharge of other duties.

3.5 The essential element of financial management is the annual budget. This is an income and expenditure plan which seeks to identify and quantify the revenue resources available to the University, and to relate expenditure to strategic and operational plans and available income.

3.6 In conjunction with the revenue budget, a capital budget is also prepared, prioritising approved building projects and identifying the funding sources and strategies needed to fund such projects.

3.7 Once budgets have been approved, it is important that budget holders are provided with regular financial information to help them manage resources for which they are accountable. The present practice, under the one-line budget, is to devolve to budget holders, and to allow them flexible management and virement within prescribed parameters. The Council also receives summarised financial and management information, as and when it is needed to inform its decisions.

Audit and the Audit Committee

3.8 While the responsibility for devising, developing and maintaining control systems lies with management, internal audit has a key role in providing a service to the University and giving assurance on the adequacy and effectiveness of the internal control system. In addition to its role in ensuring probity, the internal audit service also assists management in ensuring value for money.

3.9 The Council has established an Audit Committee in accordance with the recommendations of the Sutherland Report and the *Fit for Purpose* report. It is a small, authoritative body which has the necessary financial expertise to examine the University's financial affairs and management systems more rigorously than the Council as a whole. The Audit Committee should be enabled 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 Council. The Audit Committee should also be in a position to form an opinion of the University's arrangements to promote efficiency, economy and effectiveness, and to secure value for money in all areas. Under its terms of reference, the Committee is required to produce an annual report to the Council.

3.10 Best practice in corporate governance stipulates that, in order to preserve their independence, members of the Audit Committee must not have any executive responsibility for the day-to-day management of the University. They should not serve on the Finance Committee unless, exceptionally, it can be demonstrated that this is unavoidable for practical reasons. At least one member of the Committee, preferably the Chairman, should have a background in finance, accounting or auditing.

3.11 In summary, the specific responsibilities of members of the Council in respect of audit are:

- to appoint the Audit Committee;
- to consider, and where necessary, act on the annual report from the Audit Committee;
- to consider and approve the strategic plan of the internal audit service, although this function is in fact delegated to the Audit Committee; and
- to appoint the external auditors (again this function is delegated to the Audit Committee).

Procurement

3.12 All procurements should be undertaken on the basis of full and open competition so that the University can be assured that it is securing the best that the market can provide at the most competitive price.

3.13 As noted above, it is essential that members of the Council guard against conflicts of interest. Particular areas of vulnerability are the invitation of tenders and the award of contracts. Accordingly, the University has to ensure that procedures are laid down for the issue, receipt, opening and consideration of tenders, and for the award of contracts above a specified value. These procedures should establish whether members of the Council or staff are to be involved at any particular stage or level; and should make specific provision to exclude from the process anyone (whether a member of the Council or a member of staff)

who might have a declarable interest in it. The procedures should be approved by the Council, and should be included in the University's financial rules and procedures.

3.14 The University staff responsible for procurement in the Finance and Enterprises Office and the Secretary to the Tenders Board should accordingly have access to the register of members' interests so that they are aware of any connections which members of the Council may have with potential suppliers.

3.15 Companies that do have a connection with a member of the Council should not automatically be debarred from tendering for business from the University. The exclusion of such companies might deprive the University of a particularly valuable supplier, and could deter individuals with industrial or commercial interests from serving on the Council. However, in such circumstances,

- the member concerned should consider carefully how their involvement is likely to be perceived by the wider community; if in any doubt, they should consult the Chairman; and
- if the procurement is discussed by the Council, the member concerned should make a formal statement of their involvement with the company (supplementing the declaration already contained in the register of members' interests) and should withdraw from the meeting for that item. This should be recorded in the minutes.

3.16 Members of the Council should avoid becoming involved in procurement decisions on an informal basis (for example by providing *ad hoc* advice to an officer outside committee meetings). All contributions to the decision should be channelled formally through the committee system, so that they may be properly documented and open to wider scrutiny.

Council as Employer

3.17 In the University, all appointments and contracts of employment are made on the authority of the Council, even though in practice the Council generally delegates these powers to the administration. The University is the legal employer, and has responsibility for the institution's employment policy. This includes matters such as:

- ensuring that pay and conditions of employment are properly determined;

- ensuring that the University complies with the requirements of employment law, including equal opportunity legislation; and
- ensuring that there are policies and procedures for appointments, promotions, staff development and appraisal.

3.18 As of July 1, 2003, salaries and terms and conditions of service of University staff are no longer required to link to civil service pay scales or benefit packages. The University is in the process of establishing a strategy and policy for human resource management which will include a package on staff titles, promotion process, salaries, and outside practice rules in the delinked environment. The Council will be closely involved in this process.

Termination of Employment

3.19 The Ordinance and the Statutes provide for:

- dismissal of academic staff designated as teachers for ‘good cause’;
- dismissal of staff designated as officers for ‘good cause’;
- dismissal of staff who are neither teachers nor officers without the need to assign any reason; and
- arrangements for staff to seek redress for any reasons relating to their employment.

3.20 The Council is responsible for approving any policy of making redundancies and for terminating the employment of members of staff who are not protected by ‘good cause’, by reason of incapacity or redundancy. The Council is also responsible for appointing individuals or committees to hear disciplinary charges which could result in the dismissal of staff, and to hear appeals and grievances from staff.

Terminal Benefits

3.21 Staff employed by the University are either members of the Government’s Mandatory Provident Fund (those on secondment or on a fixed term contract) or one of the two schemes managed by the University – the Staff Provident Fund or the Staff Terminal Benefits Scheme (the latter has been closed to new members since November 1, 1996). Employers’ and employees’ contributions are made as required to all these schemes.

Members of the Council should ensure that they understand what the University's terminal benefits arrangements are, especially if they have a collective or individual role as trustees of any of the University-managed fund.

Estate strategy

3.22 Like its staff, an institution's estate is one of its most valuable assets. The University campus creates the first impression of the organisation, and is therefore a key element in marketing the institution. An estate strategy draws its aims from the University's strategic plan, and establishes the estate needs to achieve these aims. It looks at the buildings and facilities available and addresses potential shortfalls in space, surplus space, and unsuitable or inappropriate use of space. It also considers opportunities for development, rationalisation or reconfiguration of the estate.

3.23 A major planning priority for the University is to create a campus and campus experience consistent with the University's expectation of excellence. To achieve this goal, the University is moving forward on strategies for developing the physical environment by means of the Millennium Master Plan.

3.24 Members of the Council should recognise that developing an estate strategy is an important process. An estate strategy needs to be part of the University's strategic development, supporting the achievement of its aims and objectives. There should be identified links with the University's mission and vision, and the academic development plan. The support and ultimate approval of the Council are essential elements of the estate strategy, and members of the Council are kept informed of the developments throughout the process. Approval of the strategy will initially fall to the Campus Development and Planning Committee but final approval will lie with the Council.

PART B

CODE OF PRACTICE FOR COUNCIL MEMBERS

4 Summary of Responsibilities of the Council

4.1 The Council is *de facto* the supreme governing body of the University and carries responsibility for ensuring the effective management of the University and for planning its future development. Subject to the Senate being the principal academic authority, the Council has ultimate responsibility for all the affairs of the University.

4.2 The constitution and powers of the Council are laid down in, and limited by, the Ordinance and Statutes of the University. The Council has to ensure that the University does not extend its activities beyond those permitted by the Ordinance and Statutes. Details of the powers and duties of the Council, as specified in the relevant University Statutes, can be found in the *University Calendar*. The main responsibilities of the Council are listed below in general terms.

Proper Conduct of Public Business

4.3 The Council is entrusted with funds, both public and private, and therefore has a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of its business, and wherever possible following a policy of openness and transparency in the dissemination of all decisions.

Strategic Planning

4.4 The Council has a duty to enable the University to achieve and develop its primary objectives of teaching and research. This responsibility includes considering and approving the strategic plan, which sets the academic aims and objectives of the University and identifies the financial, physical and staffing strategies necessary to achieve these objectives.

Monitoring Performance

4.5 The Council should regularly monitor the performance of the University against its planned strategies and operational targets.

Finance

4.6 The Council's financial and fiduciary responsibilities include:

- ensuring the solvency of the University and safeguarding its assets;
- approving the financial strategy;
- approving annual operating plans and budgets which should reflect the University's strategic plan;
- ensuring that funds provided by the UGC are used in accordance with the terms and conditions specified in the grant allocation letter;
- ensuring the existence and integrity of management, financial and control systems and monitoring these through the Audit Committee; and
- receiving and approving annual accounts and financial statements.

Audit

4.7 The Council is responsible for directing and overseeing the University's arrangements for internal and external audit.

Estate Management

4.8 The Council is responsible for overseeing the strategic management of the University's land and buildings. As part of this responsibility it should consider, approve and keep under review an estate strategy which identifies the property and space requirements needed to fulfil the objectives of the University's strategic plan, and also provides for a planned programme of capital development and maintenance.

Human Resources

4.9 The Council has responsibility for the University's employment policy. This includes ensuring that pay and conditions of employment are properly determined and implemented. The Council is also responsible for appointing, and setting the terms and conditions of service for, the Vice-Chancellor and such other officers as it may determine.

Health and Safety

4.10 The Council also carries ultimate responsibility for the health and safety of employees, students and other individuals whilst they are on the University's premises and in other places where they may be affected by its operations. The Council's duties include ensuring that the University has a written statement of policy on health and safety, and arrangements for the implementation of that policy.

5 Conduct of Council Business

5.1 The Council is entrusted with public funds and therefore has a particular duty to fulfil the highest standards of corporate governance at all times, and to ensure that members of the Council are discharging their duties with due regard for the proper conduct of public business.

Seven Principles of Public Life

5.2 Several years ago, the U.K. government established the Committee on Standards in Public Life – popularly known after its first Chairman as the ‘Nolan Committee’ – and the foundation of all the Committee’s work was laid in its first report in 1994 when it promulgated the Seven Principles of Public Life. Although the principles were drawn up without guidance from elsewhere, some recent work by the OECD shows a broad coincidence between that Committee’s recommendations and the standards of ethics used in other OECD countries. Members of the Council may wish to take note of the Seven Principles of Public Life drawn up by the Committee on Standards of Public Life, as a point of reference (it may also be worth noting that members of university governing bodies in the U.K. are required to observe these principles).

5.3 These principles are as follows:

- **Selflessness.** Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.
- **Integrity.** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity.** In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability.** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

- **Openness.** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- **Honesty.** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership.** Holders of public office should promote and support these principles by leadership and example.

5.4 This Code of Practice outlines the general rules and conventions for the conduct of the business of the Council, and particularly those features which assist with compliance with the principles mentioned above.

Members as Trustees

5.5 Members of the Council, whether they are elected by particular constituencies or appointed by specified authority, should not act as if delegated by the body as their representative. Except the Vice-Chancellor and the Treasurer who are *ex-officio* members, each Council member shall serve on an *ad personam* basis regardless of how he/she is selected, and shall undertake in writing to act as a trustee in the best interest of the University as a whole rather than the interest of his/her appointing authority or election constituency. 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 Council.

Membership of Staff and Students on the Council

5.6 The Statutes provide for members of the academic and non-academic staff and students to be elected to the Council. This is integral to the nature of governance at HKU. The presence of staff and students on the Council is an important feature of governance, and following established practice both in the University and elsewhere in the higher education sector, staff members are elected for a period of three years and student members for one year. However, once staff and students have been elected as members of the Council, as in the case for all other members of the Council, they should act as trustees in the best interests of the University as a whole, rather than as delegates or representatives of the constituencies that have elected them.

Corporate Decision Making

5.7 The Council should exercise its responsibilities in a corporate manner; that is to say, decisions should be taken collectively by the members acting as a body. Members should not act individually or in informal groupings to take decisions on Council business on an *ad hoc* basis outside the constitutional framework of the meetings of the Council and its committees.

Council procedures

5.8 The Council meets at reasonably frequent intervals. The agenda and supporting papers are circulated to members normally seven days in advance, and the decisions are formally recorded in the minutes.

Delegation

5.9 The Council normally delegates some of its work to committees, grants delegated authority to the Chairman (and other officers, where appropriate) to act on its behalf, and delegates powers and duties to the Vice-Chancellor and other officers. Such delegations are clearly defined in writing. Although it may have delegated the powers to other bodies or individuals, the Council is nevertheless still ultimately accountable (because responsibility cannot be delegated), and has to accept corporate responsibility for the action taken.

5.10 The Council may also grant delegated authority to the Chairman to act on its behalf between meetings. Action taken under delegated authority will normally consist of routine business which would not have merited discussion at a meeting of the Council (such as the signing of routine documents, and detailed implementation of matters already agreed by the Council).

5.11 Occasionally, matters may arise which are judged too urgent and important to await the next scheduled meeting of the Council. The Chairman then has the options of calling a special meeting, inviting members to consider the matter in circulation, or dealing with the matter by Chairman's action. The Chairman has to be careful not to take decisions by Chairman's action where it is inappropriate to do so, and not to exceed the scope of the delegated authority granted by the Council. Chairman's action on matters of strategic importance should only be taken where delaying a decision would disadvantage the University.

5.12 The Chairman is answerable to the Council for any action which he/she takes on its behalf. Where Chairman's action is taken, a written report will be made to the following meeting of the Council.

5.13 It is common practice for the Council to delegate some of its work to committees, and committees established by the Council would normally include lay members of the Council and/or other external members (i.e. those who are neither students nor employees of the University). Membership of committees provides a particular opportunity for external members to contribute their expertise to the University.

5.14 In deciding which tasks should be delegated to committees, the Council retains a schedule of matters reserved to it for its collective decision. Such matters include final decisions on issues of strategic planning and development, such as the University's mission and vision, long term aims, principal objectives, financial strategy, and the review and approval of financial forecasts and financial statements.

Role of the Chairman of Council

5.15 The Chairman is responsible for the leadership of the Council. As Chairman of its meetings he/she should promote the well being of the Council and its efficient operation, ensuring that Council members work together effectively and have confidence in the procedures laid down for the conduct of business. The Chairman has to ensure that members of the Council are made aware of the Seven Principles of Public Life, and that those committees that play a central role in upholding the highest standards of corporate governance and in the proper conduct of the Council's business report appropriately to the Council. The Chairman is also ultimately responsible for ensuring that the Council operates effectively (which would include, among other things, handling routine and non-controversial matters on behalf of the Council between meetings, as outlined in 5.11–5.13 above), discusses those issues which it needs to discuss, and dispatches its responsibilities in a business-like manner.

5.16 Through leadership of the Council, the Chairman plays a key role in the business of the University without being drawn into the day-to-day executive management. For the Council to be effective, there must be a constructive working relationship between the Chairman and the Vice-Chancellor. This relationship will depend on the personalities involved, but is based on the recognition that the roles of the Chairman and the Vice-Chancellor are formally distinct. The relationship should be mutually supportive, but must also

incorporate the checks and balances imposed by the different roles each has within the University's constitution.

5.17 The Council is responsible for the strategic governance of the University, and lay members should accordingly avoid becoming involved in the day-to-day executive management of the University. This also applies to the staff and student members of the Council, except that in the course of their employment or in their activities as students, they may have executive responsibilities of some kind within the University.

Role of the Vice-Chancellor in relation to the Council

5.18 The Council is responsible for determining the overall strategic direction of the University. It establishes the budgetary framework, appoints the Vice-Chancellor and other officers, and exercises general oversight over the University's performance and development. The Vice-Chancellor is responsible, subject to the powers of the Senate, for the executive management and day-to-day direction.

5.19 The specific responsibilities of the Vice-Chancellor in relation to Council business include:

- implementing the decisions of the Council or ensuring that they are implemented through the relevant part of the University's management structure; and
- initiating discussion and consultation including, where appropriate, consultation with the staff and the Senate on proposals concerning the University's future development, and ensuring that such proposals are presented to the Council.

5.20 As the chief academic administrative officer, it is good practice for the Vice-Chancellor to regularly update members of the Council of the activities and developments in various parts of the University. In this connection, the Vice-Chancellor is expected, in consultation with the Chairman of Council, to invite his senior colleagues and Deans of the Faculties to attend meetings of the Council, from time to time, to make presentations to the Council.

Role of the Registrar

5.21 The Registrar has a key role to play in the operation and conduct of the Council, and in ensuring that appropriate procedures are followed:

- In accordance with the relevant Statute, the Registrar is the Secretary to the Council, although he/she is not a member of it.
- The Registrar is also an officer of the University, and plays a managerial role. The University and the Registrar must accordingly exercise great care in maintaining a separation of the two functions. Irrespective of any other duties that the Registrar may have within the University, when dealing with Council business he/she will act on the instructions of the Council itself.
- In his/her role as Secretary to the Council, the Registrar is solely responsible to the Council and therefore has a direct reporting link to the Chairman of Council for the conduct of Council business (i.e. the preparation of agendas, papers, minutes, and follow-up action, etc).
- The Chairman and members of the Council should look to the Registrar for guidance about their responsibilities under the Ordinance, Statutes and Regulations to which they are subject, including legislation and the requirements of the UGC, and on how these responsibilities should be discharged. It is the responsibility of the Registrar to alert members of the Council if he/she believes that any proposed action would exceed the Council's powers or be contrary to legislation or to the UGC's guidelines and procedures.
- The Registrar should be responsible for providing legal advice to, or obtaining it for, the Council, and advising members on all matters of procedure.

5.22 It is incumbent on each member of the Council to safeguard the Registrar's ability to carry out these responsibilities. It is important that the Registrar also both consults and keeps the Vice-Chancellor fully informed of any matter relating to Council business. It is good practice for the Chairman of the Council, the Vice-Chancellor and the Registrar to work closely together within the legal framework provided by the Ordinance, Statutes and Regulations.

5.23 If there is a conflict of interest, actual or potential, on any particular matter, between the Registrar's administrative or managerial responsibilities within the University and his/her responsibilities as Secretary to the Council, it is the responsibility of the Registrar to draw it to the attention of the Council and to seek its advice.

Declaration of Members' Interests

5.24 It is central to the proper conduct of public business that the Chairman and members of the Council should act, and be perceived to act, impartially, and not be influenced in their role as Council members by social or business relationships. A member of the Council who has a pecuniary, family or other personal interest, whether direct or indirect, in any matter under discussion at a meeting of the Council, or one of its committees at which he/she is present, shall as soon as practicable disclose the fact of his/her interest to the meeting. Such matters include the supply of work or goods or services to or for the purposes of the University, any contract or proposed contract concerning the University, and any other matter relating to the University.

5.25 A member of the Council is not, however, considered to have a pecuniary interest in matters under discussion merely because he/she is a member of staff or a student of the University. Nor does the restriction of involvement in matters of direct personal or pecuniary interest prevent members of the Council from considering and voting on proposals to insure the Council against liabilities which it might incur.

5.26 The Council should have a register of interests of its members. The register should be publicly available and should be kept up to date, at least annually. New members of the Council are invited to consider whether they have interests to declare. The Registrar will ensure that the register is always available for consultation by members.

5.27 The declaration of an interest is essentially the responsibility of the individual Council member. However, if the Registrar, on the basis of information in the register of interests, has reason to believe a Council member has a particular interest that may need to be declared in relation to a particular item on the agenda, the Registrar will have a duty to draw this to the attention of the Chairman and to remind the Council member concerned before the meeting.

5.28 The Registrar's objective in identifying any possible conflict of interest is to prevent a situation in which the probity of the University is called into question that may bring the University into disrepute, embarrass the Council member concerned or invalidate a decision.

5.29 Having declared an interest, the Council member concerned may not discuss the item further, may not vote on it, and ceases to be counted towards the quorum necessary for taking a decision on the matter in question. The declaration of an interest by a Council member in the course of a meeting should always be recorded in the minutes.

Induction and Development

5.30 Members of the Council, when taking up office, should be briefed by the Registrar on the terms of their appointment and be made aware of the responsibilities placed on them for the proper discharge of their duties to the University. They would be provided with copies of relevant background materials at the time of their appointment.

5.31 Following initial induction, members will regularly receive copies of the University's publications, such as the *Bulletin* and *Convocation Newsletter*, and appropriate publicity material about HKU to help them stay up-to-date with developments. From time to time, the Council will provide continuing development seminars for serving members on such matters as legal issues on employment and health and safety, funding issues for the higher education sector, international issues for universities, strategic planning, human resource management, financial planning, and estate management. Those members of the Council with relevant expertise in these areas would be invited to share their experiences and facilitate the conduct of these seminars. There is an onus on members of the Council to keep themselves informed on best practice and developments in corporate governance.

Personal Liability and Indemnity

5.32 The law relating to the personal liabilities of members of university councils is complex and its interpretation is ultimately a matter for the courts. This Code of Practice does not therefore attempt a statement of the law, but offers some general guidance on conduct, to avoid actions which could involve a personal liability. Members of the Council should satisfy themselves that they understand their own position in terms of indemnity, and should:

- act honestly, diligently and in good faith;
- be satisfied that the course of action proposed is in accordance with the Ordinance and Statutes;
- not bind the University to a course of action which it cannot carry out;
- seek to ensure that the University does not continue to operate if it is insolvent;
- seek to persuade colleagues by open debate, and register dissent if they are concerned that the action would be contrary to any of the above; and

- avoid putting themselves in a situation where there is actual or potential conflict between their interests and those of the University.

5.33 If this advice is followed it is unlikely that personal liability could arise, particularly since the powers and responsibilities of the Council are exercised in a collective manner and decisions are made by formal resolution. Moreover, the University is an autonomous legal entity, distinct from its members or officers. However, it is acknowledged that claims may be made against an individual member of the Council in relation to the collective decisions and actions of the Council, and accordingly the University has general insurance cover for indemnity against the costs of any claims of negligence that may be made against members of the Council in discharging their duties. As soon as a member becomes aware that such a claim could be made against him/her, he/she should inform the Finance and Enterprises Office, via the Registrar, in writing as soon as possible. Under the terms of the cover, the insurer is entitled at any time to conduct the defence or negotiate the settlement of any claim.

Strategic Planning and Development

5.34 The Council will rely on the Vice-Chancellor and his senior colleagues to be responsible for the operational management of the University, and to offer guidance to the Council on issues coming before it. However, members of the Council will have a particular concern for the strategic governance and development of the University. They should consider and approve the strategic plan, which influences and guides all decisions coming before the Council. They should also approve the annual operating targets which identifies those aspects of the strategic plan being implemented in the year in question.

5.35 Strategic plans play an important role in informing the communities which are served by the University and to which the University is accountable. The plan looks forward five years or more, setting out the University's key strategic aims and objectives, and integrates the main areas of institutional activity.

Rotation of Members

5.36 Continuity of membership, particularly of key members, is often important to the University, but so is the need for new blood. Lay members are accordingly appointed for a term of three years, which is renewable for no more than two more terms, except with the special approval of the Court, as laid down in the Statutes. The renewal of any

appointment is not automatic, but is made by the Chancellor or recommended by the Nominations Committee depending on the membership category. In normal circumstances, continuous service beyond three terms of three years each is not good practice in corporate governance. After this point members should normally retire so that the Council can appoint new people. However, there should be no bar to a particularly valued member returning if a vacancy occurs in future years. Where a member becomes Chairman or some other statutory officer such as Pro-Chancellor or Treasurer, after a period of service on the Council, he/she would begin a new term of membership linked to the office (e.g. if a person is appointed Chairman after having served as a lay member on the Council for five years, he/she may serve as Chairman for up to three terms of three years each).

Principles of Openness and Transparency in the Operation of the Council

5.37 Although it is normally necessary to keep confidential the Council agenda, supporting papers and minutes, especially when they are concerned with individuals or have a commercial sensitivity, the general principle applies that students and staff should have access to information about the proceedings of the Council, via an appropriate channel of internal communication. The annual report (*The Review*) and annual accounts (*Financial Report*) are circulated to teaching departments and the students' union.

5.38 *The Review* and *Financial Report* are also made widely available outside the University, and the general public and the local community should be invited to comment on University matters that concern them.

5.39 The provision in the Statutes for the Court, with a wide membership drawn from external bodies in the local community, is designed to meet the needs for involving the community in the University's developments. Through the Court, the University maintains a dialogue with appropriate organisations in the communities which it serves.

Review of the Effectiveness of the Council

5.40 The Council will be assisted in the discharge of its responsibilities if it has a clear and accurate understanding of the University's overall performance. As recommended in the *Fit for Purpose* report, the Council should review both its own effectiveness and the University's performance at regular intervals. Any such review of performance should take into account the views of the Senate, and should be reported upon appropriately within the University and outside. The outcome of the reviews of performance will most appropriately be published in the annual report.

Acknowledgements

This Guide is modelled on a similar non-copyright document issued jointly by the Committee of University Chairmen and the Higher Education Funding Council for England, both in the U.K., entitled *Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland* (Third Edition, 2001). The contents rely heavily on this text.

References have also been made to two other non-copyright documents: *The Proper Conduct of Public Business*, the eighth report of the U.K. House of Commons' Committee of Public Accounts (1994) and the *Guide for Clerks to Governors of Higher Education Corporations* (1997), issued by the Higher Education Funding Council for Wales.