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26 May 2003

Ms Miranda Hon
Clerk
Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the
Results of value for money audits (Report No. 40)**

I refer to your letters of 16 and 19 May 2003. Consolidated replies in English are enclosed at Annexes A and B respectively. Chinese version will follow as soon as possible.

Yours sincerely,



(P T Cheung)
Secretary-General
University Grants Committee

Encl.
cc SEM
HoIs

Chapter 10 : UGC-funded institutions – Staff remuneration packages and stipends

(Q) The progress made by the institutions in establishing a new remuneration system in the light of the impending deregulation of their salary scales: -

Ans : Under the delinking proposal, institutions are given the freedom to decide whether or not to adopt their own remuneration systems. Where there is a decision to delink, the timing is also left to their discretion. From the information we have gathered, the following institutions have started preliminary process to examine the issue.

CityU

Various options for the University's remuneration schemes have been explored by working groups and the Management Board. The Staff Association has also hosted an open forum for all staff at which the University management reported on the progress made and listened to views expressed by staff. Concrete proposals, including grievances procedures relating to staff remuneration, will be formulated as the University further examines its future funding position.

HKBU

The Council of HKBU would base its decision of whether (or not) to approve delinking/deregulation of the HKBU salary scales from those of the civil service on 3 main factors: (a) a careful examination of the implementation details in the pertinent proposal from the Government (especially with regard to the issue of housing benefits), (b) a rigorous analysis of the benefits to HKBU which are derivable from delinking, and (c) the views gathered from the consultations with staff on this subject.

To do the necessary groundwork in relation to these 3 factors mentioned above, and for conducting due consultations with staff, it is estimated that a long lead time is required. As an indication, the drafting of a scheme for the new scales and packages for the various grades of academic and non-teaching staff of the University, and consultations with staff, will be among the key targets to be achieved in the next 9 months or so.

LU

LU is now undertaking the task of setting up a new remuneration system. In view of the probable impact of the new remuneration system on all the staff members, the University management has taken the additional step to consult its staff members at staff forums. There have been two rounds of staff forum on cost-savings measures to be contemplated by the University.

A proposed new remuneration system has just been deliberated in the Human Resources Committee (HRC) of the management. The outcome of the HRC

deliberations would be put up for consultation at another round of staff forum in early June. After that, the proposed new remuneration system after incorporating the feedback from staff members if necessary will be submitted to the Staffing Committee for consideration. The Staffing Committee will, after consideration, endorse the proposal for Council's consideration of approval. It is hoped that the Council will consider the proposed new remuneration system by the end of June this year.

CUHK

Due to the deregulation of salary scales, CUHK takes note that it is opportune to review and devise an appropriate remuneration package to attract and retain appointees of the right calibre. As this will have long term implications, a comprehensive and thorough study is required and the University's relevant committees will review and address the various issues.

In fact, CUHK has always kept its systems under review to make timely adjustments to respond to various demands and for prudent cost-effective management practices. In the past two years, the University has initiated several revisions to its staff management and remuneration systems to facilitate an assurance of quality performance and prudent use of resources.

HKIEd

The Staffing Committee of the HKIEd Council has been considering actively the various issues in relation to the introduction of a new pay structure for staff of the Institute. A firm of consultants will very soon be engaged by the Institute to carry out a job evaluation exercise on all the academic equivalent administrative staff and to propose a pay structure for all non-academic staff, having regard to the pay levels in the private sector as well as other semi-Government bodies. An internal steering committee will be established to facilitate the work of the consultant as well as to review/recommend a pay structure for academic staff. It is planned that recommendations from both the consultant and the internal steering committee will be submitted to the Council's Staffing Committee for careful deliberation. It is planned that the Staffing Committee will formulate appropriate recommendations and submit these to the HKIEd Council for consideration/approval early next year. Subject to the direction and approval of the Council, the HKIEd senior management will conduct open forums for all staff before the actual implementation a new pay structure.

PolyU

The PolyU has established a working group chaired by the Deputy President with senior executives of the Human Resources Office and Finance Office as members. They have, since many months ago, made studies on job market and reference to other relevant information, and are now formulating proposals on salary range and other terms and conditions of services. The Group hopes to be able to have a human resource policy and system that will be in line with those of other sister institutions in Hong Kong. The Group plans to complete its study towards the end of 2003 and

present such to the University management and Council for their consideration.

HKUST

HKUST will be considering in the coming months the extremely complex question of the possible introduction of a new remuneration system.

HKU

HKU sees the need for an overhaul of its existing human resource (HR) policy and strategy and is reviewing its entire HR policy with a view to introducing new strategy to cater for changes inside and outside the University, including the Government's recent decision to deregulate university salaries.

The Council, at its meeting on 29 April 2003, formally endorsed the University's plan to review and reform its HR policy and strategy. The Council at the same time authorized the Vice-Chancellor to study, as part of the University's overall HR strategy and in consultation with staff members as necessary, the actions and measures required to enable the University to benefit from the deregulation by the Government of university salaries.

With the endorsement of the Council, the Vice-Chancellor and his senior colleagues will consult staff members of the University in the coming months, and formulate proposals in new HR policy and strategy which will include a new remuneration system in the light of salary deregulation.

Issues raised in letter of 19 May 2003

Q. Timetable for developing and issuing disclosure guidelines on the remuneration of senior teaching and administrative staff in all UGC funded institutions (paragraph 2.65(d) of the Audit Report refers) :-

A. The UGC will very soon start discussion with the institutions and the Administration on the disclosure guidelines based on the principles of “transparency” and “external participation”. Depending on progress, the UGC expects that the guidelines will be available within 6 months.

Housing benefits of the Heads of UGC-funded institutions

(a) Whether there are any standards for the provision of accommodation to the HoIs and if so, what are the details :-

Ans : There are no set standards for the provisions of accommodation to HoIs, although by tradition, some Heads are provided with accommodation on campus. However, where such is available, the accommodation is more in the nature of an “official residence”, rather than staff quarters. The premises are very often used for official functions.

(b) In respect of those institutions which provide accommodation to their Heads, a comparison of the accommodation provided including the type of the premises, the size of the premises and the expenditure incurred :-

Ans : A table showing the existing accommodation arrangements is attached.

(c) For those institutions which do not provide accommodation to their Head, what are the arrangements for the provision of housing benefits to the HoIs :-

Ans : Prof Paul Morris and Prof Ambrose King do not have accommodation provided. This is because they had joined the Home Financing Scheme before they were appointed as Heads of Institutions.

President, PolyU is also not provided with accommodation. He is given a monthly cash allowance in lieu of his housing benefits and leave passage.

Remuneration of the Heads of Finance of UGC-funded institutions

(d) Whether the Administration was involved in determining the ranking and level of pay of the heads of finance posts when such posts were created and if so, details of the justifications for the ranking and pay level :-

Ans : The 8 UGC-funded institutions are governed by their Councils set up under their respective ordinances. Prior to deregulation on 1 July 2003, the institutions are required to adopt various salary scales approved by the Finance Committee, including a common university salary scale for academic and equivalent

administrative staff applicable to senior administrative staff such as the heads of finance. Nevertheless, under a block grant system and in the spirit of institutional autonomy, neither the Administration nor the UGC is involved in the creation or ranking of specific posts.

- (e) ***Whether, in the UGC's views, the level of responsibility and the level of pay of the institutions' heads of finance should be compared to the head of finance of a large government department or a large private-sector company like the MTR Corporation: -***

Ans : The UGC does not see a compelling case to benchmark the pay package of the head of finance of universities against the heads of finance in government departments or against staff of any particular organization, the operation of which does not bear sufficient resemblance to a university.

Comparison of posts in different organizations for assessment of pay is inherently difficult. Posts with the same title may vary in terms of job content, require different skills and expertise and carry different responsibilities. However, as a general point of reference, it is relevant to say that the Director of Finance, or the Bursar as it is called in some other places, in a university is generally the Chief Finance Officer and is normally within the top three layers of a university's management structure.

Annex B

Institution	Type of Premises	Size of Premises (square feet)	Expenditure Incurred (2001/02) (Recurrent expenditure including utilities, housekeeping and maintenance, etc)
CityU	Off-campus rented detached house	5,400	\$1,700,555 (\$1,626,400 was for rent and rates)
HKBU	On-campus detached house	3,643	\$98,000 (not a normal full year since there was a renovation period of 5 months)
LU	On-campus detached house	4,020	\$162,000
HKUST	On-campus detached house	4,850	\$231,000
HKU	On-campus detached house	6,620	\$277,000

Note: Heads of CUHK, HKIEd and PolyU are not provided with accommodation.