

IV. Supplemental Report of the Public Accounts Committee on Report No. 40 of the Director of Audit on the Results of Value for Money Audits [P.A.C. Report No. 40A]

Laying of the Report Report No. 40 of the Director of Audit on the results of value for money audits was laid in the Legislative Council on 30 April 2003. The Committee's supplemental report (Report No. 40A) on Chapters 8, 9 and 10 of the Director of Audit's Report was tabled on 19 November 2003.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 40A was laid in the Legislative Council on 3 March 2004. A progress report on matters outstanding in the Government Minute was issued on 23 October 2004. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 8 below.

3. **University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting** (Chapter 1 of Part IV of P.A.C. Report No. 40A). The Committee was informed that:

Corporate governance of institutions

Review of the governance structure of the University of Hong Kong

- the University of Hong Kong (HKU) was carrying out in phases other measures, such as enhancing communications between the management and members of the HKU;

Amendment to the University of Hong Kong Ordinance regarding the statutory roles of the Council and Court of the University of Hong Kong

- the HKU had been working on amendments to the University of Hong Kong Ordinance so that the role of its Court would be more accurately defined and consistent with the HKU statutes in the Ordinance;

"Fitness for purpose" reviews of the governance structures of the other seven institutions

- the City University of Hong Kong (CityU) Council had established an Implementation Committee to follow up the CityU Review Committee's recommendations. According to the implementation plans approved by the CityU Council in March 2004, the various recommendations would be carried out in 2004 and 2005;

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- the Lingnan University (LU) Council completed a review of the membership and terms of reference of its standing committees in April 2004;
- The Chinese University of Hong Kong (CUHK) had implemented the recommendations stated in the interim report, including the establishment of an Executive Committee and an audit committee;
- the Task Force formed under The Hong Kong Institute of Education (HKIEd) Council completed the review of the HKIEd's governance structure in early 2004. The HKIEd had implemented the recommendation of the Task Force to streamline the structure of Council Committees by dissolving some Committees and subsuming some Sub-committees under other Committees;
- the Governance and Management Review Committee of The Hong Kong Polytechnic University (PolyU) completed its review of institutional governance and management structure in June 2004;

Membership, attendance and attendance records in relation to Council meetings

- the CityU Council had approved the recommendations of its Review Committee on University Governance and Management to downsize the CityU Council so that there would be a clear majority of lay members. The Council, in consultation with the Administration, had been examining the necessary legislative amendments to the City University of Hong Kong Ordinance to implement the recommendations;
- to involve the external members in more aspects of the work of the CityU, the CityU Council had approved the recommendation of restructuring its committees so that lay members would be in the majority. The recommendation had been implemented starting from the 2004-05 academic year;
- the CUHK Council decided in February 2004 to publish the information on the attendance of each Council member on the CUHK's website;
- the HKIEd Council decided in February 2004 that, in order to enhance transparency, each Council member's attendance record at the Council and Council Committee meetings would be uploaded onto the HKIEd's website on an annual basis;
- the PolyU published the attendance records of its Council members on the PolyU's website in September 2004;

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- The Hong Kong University of Science and Technology (HKUST) Council resolved at its meeting in May 2004 that there would not be a quorum at any Council meeting unless external members constituted a majority. This new rule had been implemented with effect from that meeting;
- the HKUST Council also agreed to publish the attendance records of Council members at Council meetings in the 2003-04 Annual Report of the HKUST;
- the HKU Council agreed in April 2004 that the record of attendance of Council members should be made public;

Proposal to set up an audit committee — City University of Hong Kong, Hong Kong Baptist University, The Chinese University of Hong Kong, and the University of Hong Kong

- the CUHK, the CityU and the HKU established their own audit committees in December 2003, March 2004 and April 2004 respectively;

Proposal to conduct periodic reviews of the effectiveness of governing bodies

- the Review Committee on University Governance and Management of the CityU submitted a Code of Practice to the CityU Council for consideration in July 2004. Aiming at enhancing the effectiveness of the Council, the Code of Practice covered responsibilities of Council members, conduct of Council business, governance framework and legal status of the CityU, as well as financial affairs and staffing matters;
- the HKIEd Council had completed its review of governance structure and concluded that any review of the effectiveness of its governing body would be conducted as and when necessary, and in the light of the development of/changes in the Institute as well as the Hong Kong higher education sector as a whole;
- the HKUST Council agreed in May 2004 that periodic reviews of the HKUST governing body (i.e. the Council itself) should be conducted as and when appropriate;
- the HKU Council had agreed to carry out reviews of its own effectiveness once every five years, with the framework of the first review to be determined in the 2004-05 academic year; and

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Performance reporting of institutions

Performance-based funding scheme for the 2005-06 to 2007-08 triennium

- the University Grants Committee (UGC) had established a Performance and Role-related Funding Scheme Assessment Panel to consider the self-assessment documents submitted by the UGC-funded institutions and to assess their performance against role. The Panel carried out an assessment exercise in August 2004, and sought to test and verify the conclusions made by the institutions. Evaluation was carried out according to criteria and benchmarks suggested by the institutions. The UGC had accepted the findings and conclusions made by the Panel and would feature this element in its 2005-06 to 2007-08 triennial funding recommendations to the Administration.

4. The Committee wishes to be kept informed of further development on the subject.

5. **University Grants Committee funded institutions — General administrative services** (Chapter 2 of Part IV of P.A.C. Report No. 40A). The Committee was informed that:

Provision of senior staff quarters

University Grants Committee Working Group on Housing Arrangement After Deregulation of University Salaries

- the Administration and the Secretary-General, University Grants Committee (UGC) were examining the joint proposal put forward by the UGC-funded institutions regarding the funding arrangements for staff housing benefits after the deregulation of university salaries. Subject to their deliberations, the proposal would be submitted to the Working Group on Housing Arrangement After Deregulation of University Salaries for consideration;

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Occupancy position of senior staff quarters in September 2004

- the occupancy position of senior staff quarters (SSQ) in UGC-funded institutions (except Lingnan University (LU) which did not have SSQ) was tabulated as follows:

Institution	Occupancy of senior staff quarters as at January 2004 (as reported in the Government Minute of March 2004)	Occupancy of senior staff quarters as at September 2004
City University of Hong Kong (CityU)	81%	88%
Hong Kong Baptist University (HKBU)	56%	70%
The Chinese University of Hong Kong (CUHK)	85%	88%
The Hong Kong Institute of Education (HKIEd)	95%	70%
The Hong Kong Polytechnic University (PolyU)	57%	70%
The Hong Kong University of Science and Technology (HKUST)	98%	96%
University of Hong Kong (HKU)	93%	96%

- after the implementation of positive measures to make beneficial use of vacant SSQ, the occupancy rate of SSQ in all institutions had increased, except for the HKUST which nonetheless maintained a high occupancy rate, and the HKIEd the vacant quarters of which were expected to be filled up by new recruits who would report for duty in the next few months;

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Actions taken by institutions to improve the vacancy position of senior staff quarters, and to address the rent-charging practices for senior staff quarters staff receiving Private Tenancy Allowance or Home Financing Allowance

- the Housing Working Group of the CityU had completed a comprehensive review which covered, among others, the housing stock and accommodation issues for staff, visitors and students. To maximise the usage of SSQ, the CityU planned to convert an entire block of its SSQ, i.e. the To Yuen Building (18 units), for office use in 2005. In addition, the CityU had successfully leased nine vacant units to non-CityU personnel since July 2004. The CityU would take into consideration the need to retain adequate units for accommodating eligible staff and lease surplus vacant quarters to reduce the vacancy position. The CityU would continue to charge market rents in leasing the vacant SSQ to its staff receiving Home Financing Allowance (HFA)/Private Tenancy Allowance (PTA);
- to optimise the use of existing quarters and improve their occupancy, the HKBU had made use of its SSQ as housing benefits for eligible staff. A total of six newly recruited staff were allocated staff quarters when they assumed duty in August and September 2004. In addition, the HKBU had made efforts to lease the vacant staff quarters to HKBU staff and in the open market. In the past few months, five units of the SSQ were leased out. The HKBU would continue to charge market rents in leasing the vacant staff quarters to HKBU staff and/or in the open market;
- the CUHK continued to implement measures to improve the vacancy situation of its SSQ. These included leasing SSQ to HFA and PTA recipients and other interested senior staff members; offering SSQ as the only form of housing benefit available to new staff appointed under the deregulated environment; and extending some SSQ units with relatively lower occupancy rate for lease by the retirees at market rent. As a result, the occupancy rate of SSQ increased from 85% in January 2004 to 88% in September 2004;
- regarding the CUHK's rent-charging practice, PTA recipients and other residents were charged at market rental level for occupancy of SSQ. As for HFA recipients, they were only allowed to rent vacant SSQ at market rates not exceeding 115% of their entitlements, and the rental to be paid would be the amount of their individual HFA entitlements, regardless of whether the market rents (subject to the above ceiling) were higher or lower than the HFA entitlements. This was to ensure that there was no major under-recovery of market rents in overall terms on the one hand, and to provide staff with more certainty over the rent payable and in turn to achieve a higher occupancy rate

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on the other hand. So far, the total rents collected based on HFA entitlements were no less than the total market rents for all SSQ involved;

- it was currently a standing arrangement for new appointees of the PolyU who were eligible for housing benefit to be provided with SSQ only if available. The number of vacant units dropped from 29 in early 2004 to 20 in September 2004. The PolyU would continue to charge HFA recipients occupying SSQ their maximum HFA entitlements (which were considered by a professional surveyor to be no less than the market rents);
- the HKIEd offered SSQ as the only form of housing benefits to new staff recruited after 1 July 2003. Taking into account the estimated number of new recruits for the 2004-05 academic year, all vacant SSQ would be filled up in the next few months. The HKIEd would continue to charge market rents in leasing the vacant SSQ to its staff receiving HFA/PTA;
- the HKUST had continued to actively engage property agents in leasing vacant SSQ. Around 40 units of SSQ were leased out at market rate by September 2004. As for the rent-charging practice for HFA recipients occupying SSQ, the occupants were charged their HFA rates. While in some cases the HFA rates were greater than the market rent and in some cases lower, the total sum of rental collected from all these occupants involved was no less than the total market rents to be fetched from these flats;
- the HKU had continued implementing positive measures to reduce the vacancy rate of SSQ such as conducting periodic review of rental levels of SSQ and actively engaging estate agents to lease out SSQ in the open market. These measures had proved to be successful and the occupancy rate of SSQ increased from 93% in January 2004 to around 96% by September 2004. The HKU would continue to charge market rents in leasing the vacant SSQ to its staff receiving HFA/PTA;

Task Force to ensure optimal use of the vacant senior staff quarters

- the Task Force under the chairmanship of the Secretary-General of UGC met in end April 2004 to discuss the occupancy position of SSQ and the related measures, and the rent-charging practices for HFA staff occupying SSQ. The Task Force requested the institutions to try their best to explore ways to ensure that the rents paid by HFA recipients reflected the market rates;

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- the Task Force was delighted to note that all institutions had implemented improvement measures to reduce the vacancy rate of SSQ. Institutions with relatively low occupancy rate of SSQ were requested to make reference to the experiences of sister institutions and to further carry out proactive measures to put vacant SSQs to gainful use. Institutions were also invited to consider the possibility of setting up a common pool of SSQ among themselves so that staff in one institution could apply and live in vacant staff quarters of another institution if they so wished. The Task Force would continue to monitor the occupancy position of SSQ;

Provision of junior staff quarters

Reviews by the institutions on the operational need for junior staff quarters

- the CityU had reviewed the operational need for junior staff quarters (JSQ) and concluded that, out of its nine JSQ, seven were occupied by essential staff to meet operational need and the remaining two had been leased out on a short-term basis to visiting staff and/or research fellows. The CityU's Housing Working Group would periodically review the matter;
- while there was no vacant JSQ in September 2004, the LU was nonetheless conducting a review on the operational need of JSQ, which was planned for completion by the end of 2004. The LU expected that the majority of the JSQ would be phased out by June 2005 and would be converted into units suitable for occupation by visiting lecturers or staff eligible for housing benefits;
- the CUHK had suspended the allocation of JSQ to its staff members to pave the way for alternative use or redevelopment of JSQ, details of which would be considered together with the master development plan of the CUHK. A JSQ Working Group had been set up for this purpose, and it was expected to give a clearer direction by June 2005;
- the HKIED had set up a working group to closely monitor the operational need for JSQ. There were six vacant JSQ out of a total of 26 by September 2004. As there was shortage of office space, the HKIED would explore the possibility of converting vacant JSQ into office use and for non-UGC-funded projects/activities, etc. and levy appropriate charges;

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- regarding the HKUST, out of a total of 158 JSQ, 97 units were allocated to staff based on operational need. For the remaining 61 units, 57 were released in September 2004, including 45 allocated to research staff and 12 leased out in the open market. The overall occupancy rate for the JSQ was thus 97%. The HKUST would continue to monitor the situation to ensure a high occupancy rate of JSQ;
- apart from reserving JSQ for staff to live in or near the main campus for discharging duties related to security, safety, emergency maintenance, etc., the HKU continued to re-model JSQ for use by students and visiting scholars. Out of a total of 165 JSQ, the number of JSQ designated for occupancy by students and visiting scholars increased from 75 in December 2003 to 84 by September 2004;

Provision of guest quarters

Institutions to improve the vacancy position of guest quarters

- the CityU continued to promote guest quarters (GQ) occupancy. The average occupancy rate for the first half of 2004 was 80%;
- the number of the HKBU's GQ units had been reduced from 20 to 18 since 1 July 2004. By September 2004, around half of the GQ units were occupied. In the event that the demand for staff quarter increased and there were still vacancies in GQ, more units of GQ would be converted into staff quarters for occupation;
- four of the LU's GQ were renovated in mid-July 2004 to become two larger quarters for occupation by visiting lecturers and staff eligible for housing benefits. The LU intended to convert some more GQ units into staff quarters by July 2005;
- through promotion efforts to departments/units, the occupancy rate of the CUHK's GQ during the summer vacation in 2004 stayed at around 70%. The occupancy rate might pick up after the regular term commenced;
- the average occupancy rate of the HKIEd's GQ in the 2004-05 academic year would be around 52% after excluding some GQ which would likely be converted into SSQ. To improve GQ occupancy, the HKIEd had started leasing them to staff, alumni and students at appropriate charges for short-term stay;

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- with continual efforts of monitoring and promotion, such as on-going collection of customer feedback, frequent review of pricing strategy and regular distribution of publicity materials to departments, the occupancy of the PolyU's GQ had been satisfactory. The average occupancy rate was 92% in July 2004 and stayed at over 80% in August and September 2004;
- the occupancy rate of the HKUST's GQ was 85% by September 2004. The HKUST undertook to monitor its occupancy position on an on-going basis;
- the HKU commenced a substantial renovation project of its GQ (the Robert Black College) in December 2003 to enhance its marketability. Two-thirds of the works had been completed, with the remaining works to be finished by October 2004. Since the College had to be partially closed during the renovation period, the occupancy of GQ was expected to improve after completion of works;

Student hostels

Institutions to improve the vacancy position of student hostels

- the CityU's student hostels continued to enjoy a high occupancy level at an average of 99% during term-time of the 2003-04 academic year and 85% during summer vacation in 2004. With a view to enhancing the occupancy rate during vacation time, the CityU had vigorously promoted summer letting and collaborated programmes with external organisations, internal departments, student organisations, community groups, alumni and short-stay visitors. A flexible weekly rental scheme had been designed to attract more students to stay in student hostels during the summer vacation. With the continued efforts of the CityU to promote hostel residence, its occupancy rate was 90% in September 2004;
- the HKBU had made increasing efforts to promote the value of hall life education among undergraduate students since May 2003. It had also conducted special promotion campaigns to attract associate degree and full-time taught postgraduate students. Non-teaching visiting research scholars, students of the CityU not provided with hall places and short-term exchange research students had also been accommodated in hostels to increase their occupancy rates. With the continued efforts of the HKBU to promote hostel residence, the occupancy rate would be close to 100% at the beginning of the 2004-05 academic year;

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- the LU had undertaken various measures to promote occupancy of student hostels. The LU had, for instance, speeded up maintenance works of student hostels during the summer break so that hostel rooms could be made available for occupation at the start of the new term. The student hostels were fully occupied in September 2004;
- the CUHK's undergraduate student hostels were fully occupied in September 2004. The occupancy rate of graduate student hostels during the summer of 2004 was 85%, and reached 95% by September 2004;
- the HKIEd continued to take positive measures to improve the occupancy position of student hostels, such as extending hostel residence to parents of non-local students, participants of professional training programmes organised by the HKIEd, associate degree students, etc. Moreover, strategic marketing efforts would be made to let out student hostels to schools and corporations for summer camps or staff functions during vacation. With the continued efforts of the HKIEd to promote hostel residence, the occupancy rate was about 70% in September 2004;
- the extensive publicity and promotion, various hall functions and schemes (e.g. the Hall Resident Service Award Scheme and the Hall Education Through Campus Work Scheme) organised by the PolyU had been fruitful. The average occupancy rate of the student hostels during term time in the 2003-04 academic year was 87%, which was 21 percentage points higher than the average occupancy rate of 66% of the previous year. The occupancy rate for September 2004 was even higher at over 95%;
- the occupancy rate of student hostels in the HKUST remained at 99% during semester time by September 2004. The HKUST would try to maintain this high occupancy rate;
- the HKU's Report on Hall Education, which aimed at re-examining and re-appraising the philosophy of hostel education, was approved by its Senate in February 2004. The Report had set the framework for future direction of hall education;
- as a result of positive measures undertaken by the HKU to boost occupancy of its hostels, the average occupancy rate of student hostels was around 98% in September 2004;

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- to further promote hostel occupancy, the HKU implemented the following measures for summer letting in the 2003-04 academic year:
 - (a) all current students and non-residents were invited to apply for summer residence in March 2004;
 - (b) the Office of Student Affairs coordinated commercial letting for local and overseas individual visitors, and academic/cultural programmes in summer 2004, and had begun accepting advance bookings by groups since early 2004; and
 - (c) departments were encouraged to organise summer hall programmes for students who were not residents during the residential year, and to introduce special programmes for students from the Mainland, overseas universities and local secondary schools to reside in halls;

Review of the existing policy on students' grants and loans

- the Administration constantly reviewed its policy on students' grants and loans, taking into account new developments in the sector and comments from relevant parties. The advisory committee that advised the Administration on the operation of the Local Student Finance Scheme had, based on the findings of a student expenditure survey, put forward a number of recommendations to improve the types and levels of grants and loans for needy students, including the recommendation to provide needy students with an accommodation expenses loan so as to enable them to live in student hostels. The Administration was examining these recommendations and would come to a view soon; and

Outsourcing of institutions' services

Institutions to widen the scope for outsourcing their services

- all institutions had taken measures to outsource their services as appropriate and would continue to look for such opportunities in future.

6. The Committee wishes to be kept informed of further development on the subject.

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7. **University Grants Committee funded institutions — Staff remuneration packages and stipends** (Chapter 3 of Part IV of P.A.C. Report No. 40A). The Committee was informed that:

Pay structure

Institutions' reviews of their pay structure

- the City University of Hong Kong (CityU) Council approved the adoption of a new set of salary scales and pay rise system with effect from 1 July 2004. The main features were as follows:
 - (a) the new salary scales were applicable to new appointees of both academic and non-academic staff who were offered appointment on or after 1 July 2004. The new appointees would receive reduced starting and maximum salaries. Moreover, the salary scales for each grade of staff would cover a range of fixed incremental steps. Increments would not be given automatically but would be subject to the new pay rise system. Serving staff would remain on existing salary scales of their respective grades and the existing salary scales should apply in case of promotion; and
 - (b) the new pay rise system was applicable to both serving staff and new staff appointed on superannuable or gratuity-bearing contract terms. Each year, the CityU's Budget Committee would decide whether a pay rise exercise should be conducted for that particular year, having regard to the budgetary situation of the CityU. A pay rise in the form of increment along the salary scale might be given to staff whose current salary was within the salary range, subject to the performance of the staff concerned;
- the Hong Kong Baptist University (HKBU) Council approved in June 2004 a new pay and reward structure for both academic/teaching and non-teaching staff, which was being implemented in stages with effect from 1 July 2004. The main features of the new pay and reward structure included:
 - (a) rationalised and streamlined pay structures for academic/teaching and non-teaching staff on the basis of internal equity of different job requirements and external comparability with the pay levels of comparable jobs in the market;

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- (b) replacement of the current system of fixed amount of annual salary increment by a more flexible salary adjustment mechanism based on staff performance subject to the financial situation of the HKBU, changes in market pay levels and cost-of-living adjustment; and
- (c) establishment of a performance management system which would be linked to salary increase and reward/recognition of staff performance; and introduction of one-off and more flexible award/special allowance as means of reward/recognition of staff performance and/or special contribution to the HKBU;

In recognition of the need to strike a balance between achieving the overall objective of the new structure and addressing staff concerns, the new pay and reward structure was applicable to newly-appointed staff, i.e. those appointed on or after 1 July 2004 for teaching staff and on or after 1 January 2005 for non-teaching staff. As for serving staff, the new pay and reward structure would start to apply to teaching staff and non-teaching staff on 1 July 2005 and 1 January 2006 respectively;

- Lingnan University (LU) implemented a new set of rank and salary structures in October 2003 for application to new appointees and to serving staff upon promotion. The academic rank structure was rationalised and simplified to map out a clear career path for academic staff, and the ranks and salary scales of all non-academic posts were updated and attuned to reflect more accurately the level of responsibilities;
- The Chinese University of Hong Kong (CUHK) introduced revised pay levels for its non-teaching grades in March 2004. The pay adjustment was applicable to new recruits appointed on or after 1 March 2004, and to serving staff upon movements (e.g. contract renewal, re-appointment to a different post/department, conversion to regular terms and promotion). The pay levels for teaching staff would continue to be subject to a salary administration system introduced since July 2003;
- The Hong Kong Institute of Education (HKIEd) had commissioned a consultancy to evaluate the duties of its non-teaching position and to benchmark their salaries with the market. The Institute was also reviewing the pay structure of teaching positions, drawing reference to similar pay structures locally and in overseas. It was expected that the review recommendations would be submitted to the HKIEd Council for consideration within the 2004-05 academic year;

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- The Hong Kong Polytechnic University (PolyU) implemented a new pay and compensation package which was applicable to new employees appointed from 1 April 2004 onwards. Features of the new package included:
 - (a) remunerating new employees on their respective salary ranges according to their job bands under a broad-banding system. Salary ranges were drawn up with reference to salaries in the relevant market segments; and
 - (b) abandoning the “automatic” granting of annual salary increment. Salary adjustment, if any, would be determined after an across-the-board salary review for all staff and would be based on considerations that included, but were not limited to, the outcome of the periodical performance review of individual staff, their respective salary levels within the salary range, the financial situation of the PolyU, prevailing pay trends in the relevant market segment, etc;
- The Hong Kong University of Science and Technology (HKUST) had established a Working Group to oversee the review of the grading and salary structure for non-academic staff. The review was scheduled for completion by 2005;
- the University of Hong Kong (HKU) Council had been examining the recommendations of the review of pay structure for academic staff. A Sub-Group on Non-Academic Staff Salaries had commenced its review, and aimed to submit the recommendations to the HKU Council during the 2004-05 academic year;

Disclosure guidelines on the remuneration of senior staff of institutions

- the University Grants Committee (UGC) issued guidelines in December 2003 requiring institutions to disclose in their financial statements the number of higher paid staff whose total annual remuneration exceeded \$1.8 million irrespective of the funding sources, to enhance the transparency and accountability of the institutions;

Institutions to enhance the transparency and accountability in the application of non-public funds

- the receipt and use of non-public funds, including those obtained from non-public sources, were accounted for in the financial statements of the institutions. The financial management, including budgeting and

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performance review, of activities funded by non-public sources was also subject to monitoring by the University Councils and their committees;

Review of the future role and functions of the Universities Joint Salaries Committee

- with the deregulation of salary in the UGC sector, members of the Heads of Universities Committee (HUCOM) agreed in April 2004 to dissolve the Universities Joint Salaries Committee (UJSC);

The Hong Kong Polytechnic University's review on the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application

- the Governance and Management Review Committee of the PolyU had reviewed the Hong Kong Polytechnic University Ordinance and would submit its review report covering its recommendations on various sections of the Ordinance, including section 9(3)(c), to the PolyU Council for consideration before the end of 2004;

Provision of resources to The Hong Kong Institute of Education

- in recognition of the HKIED's initial development needs, additional funding support was given to the HKIED during its early years of establishment and the HKIED was exempted from the 10% unit cost reduction applicable to other UGC-funded institutions in the 1998/99 - 2000/01 triennium. Other than providing additional support in the initial years, the UGC had been adopting a funding mechanism which ensured that the HKIED was able to compete with other UGC-funded institutions on an equal footing. It had been an ongoing commitment of the UGC to ensure a fair and level playing ground in terms of allocation of funds to UGC-funded institutions;

Administration of leave

Institutions to address the problems associated with the excessive leave entitlements and the encashment of leave

- the CityU had sent periodical reminders to its various departments to clear staff's accumulated leave. Forfeiture of leave days not yet taken by the clearance deadline for existing staff, and reduced leave provisions for new staff, had also been strictly enforced;

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- under the newly approved pay and reward structure endorsed by the HKBU Council in June 2004, the following new measures, which were applicable to new staff, had been introduced to guard against excessive leave accumulation and leave encashment on leaving the service of the HKBU:
 - (a) staff were encouraged to take leave on an annual basis;
 - (b) only half of the annual leave entitlement might be carried forward to the following 12-month period in general; and
 - (c) payment of outstanding leave on leaving the service of the HKBU was confined to a period, which varied from not more than two calendar weeks to one calendar month for different staff grades;

- the leave arrangements for both academic and non-academic staff of the LU had been effectively administered and monitored under the established leave management scheme. For academic staff, those on the old leave terms were given 49 days of annual leave for both vacation and research purposes, and those on new leave terms were given a much reduced annual leave entitlement. Half of the annual leave provided to all academic staff should be taken during the summer breaks. Their unused leave would be forfeited upon termination of contract/employment. As for non-academic staff, those on old leave terms could accumulate leave up to 67 working days while those on revised terms could accumulate two years' entitlement. All unused annual leave in excess would be forfeited without compensation. These measures had effectively kept the accumulation of unused leave at a reasonable level;

- the CUHK continued to adopt the leave arrangement of migrating serving staff with long leave entitlements (i.e. those in service before 2002) to the Annual Leave Scheme 2002 on re-appointment/renewal of contract. The CUHK had introduced measures whereby other serving appointees would also migrate to this Annual Leave Scheme on re-appointment/renewal of contract. New recruits would also be provided with annual leave under the Annual Leave Scheme 2002;

- under the review of the pay structure, the HKIED had commissioned a consultancy to review the contractual benefits for all staff, including vacation leave entitlement. Recommendation in this respect, together with others, would be submitted to the HKIED Council for consideration within the 2004-05 academic year;

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- with the implementation of the new terms of service on 1 April 2004, new appointees of the PolyU were provided with leave provisions at levels comparable to those as provided in the labour market. The annual leave entitlements were 22 working days for academic, management and senior professional staff; 18 working days for executive and professional staff; and 14 working days for general staff. The maximum leave accumulation had been reduced from two years' entitlement to that of one year;
- the HKUST's policy of leave encashment had discontinued. Since September 2001, staff could only carry forward, from one year to the next, not more than 14 days of their annual leave. No payment would be made in respect of any untaken leave except on cessation of employment;
- the HKU's current review of non-academic staff salaries would address the problem of excessive leave entitlement in the long term. The review was expected to be completed in early 2005; and

Stipends for research postgraduate students

Institutions to improve the administration of stipends

- to improve the administration of research postgraduate stipends, the HUCOM agreed that the Postgraduate Administrators' Circle (PGAC) should be given the authority to approve a common band of stipend rates which allowed for deviations within a certain range for the HUCOM member institutions to follow. By doing so, it could uphold institutional autonomy on one hand, and avoid unhealthy competition on the other. Under the approved arrangement, the PGAC was required to provide an annual report to the HUCOM on the agreed stipend rate.

8. The Committee wishes to be kept informed of further development on the subject.