

Tips on Handling and Use of Non-government Funds in DSS Schools

For facilitating DSS schools' proper use of non-government funds, a list of common concerns, highlighting the tips on proper handling and use of non-government funds, is compiled for schools' reference. DSS schools should note that the list is by no means exhaustive. It will be updated as and when appropriate.

	Hypothetical Cases	Tips
1	<p><u><i>Fees and Collection</i></u> A school collected fees other than the inclusive fees without prior approval from the EDB, including air-conditioning fees and administrative charges for issuing student cards and parent cards.</p>	<p>Unless with the EDB's prior approval, DSS schools shall not charge or accept fees other than the inclusive fees. Also, for any adjustment of approved fees, prior approval from the EDB must be sought. DSS schools should comply with regulation 61 of the Education Regulations, Cap 279A in this regard.</p>
2	<p><u><i>Trading Operations</i></u> A school governed by SMC operated and permitted to operate on school premises business or trading undertaking without the prior approval from the EDB, including provision of school bus and lunch box services, supply of school uniforms, textbooks, exercise books and school ties at the school bookstore and operation of school tuckshop. The profit margin of some items had exceeded the allowed profit ceiling.</p>	<p>According to the prevailing EDB circular on <u><i>Trading Operations in Schools</i></u>, unless with the EDB's prior approval, DSS schools without incorporated management committees (IMC) shall not -</p> <ul style="list-style-type: none"> (a) operate or permit to operate on school premises any business or trading undertaking; or (b) enter into any business or trading arrangement, directly or indirectly, with any person for the supply of food, drinks, books, stationery, uniforms or any other thing that is required by such school to be possessed or used by students of the school. <p>For IMC schools, trading operations should be approved by the IMC and the tendering procedures for acquisition of services as stipulated in the prevailing EDB circular on <u><i>Tendering and Purchasing Procedures in Aided Schools</i></u> should be followed.</p> <p>DSS schools should follow the principles as set out in the prevailing EDB circular on</p>

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		<u>Trading Operations in Schools</u> in conducting trading activities.
3	<p><u><i>Hire of Accommodation</i></u> A school sub-let the school premises to another school sponsoring body for operating evening courses. The rental income received was not recorded in the school's bank and books of accounts and electricity charges in respect of the hiring of accommodation were charged to the government fund account.</p>	DSS schools should formulate their school-based policy on hire of accommodation with reference to the prevailing EDB circular on <u>Hire of Accommodation in Aided Schools</u> . DSS schools have to ensure that the hire of accommodation does not affect school operation and undermine its educational services for students. The hire charges levied from accommodation and relevant overhead expenses have to be reflected in the non-government fund accounts.
4	<p><u><i>Fund-raising Activities</i></u> A school did not prepare and display financial statement for each and every fund-raising activity. The income and expenditure of each fund-raising activity were not properly recorded.</p>	DSS schools have to ensure that fund-raising activities held are lawful and in compliance with the requirements stipulated by the EDB or other Government departments. Donations and participation of students in all fund-raising activities must be on an entirely free and voluntary basis. The financial statement recording the income and expenditure of each fund-raising activity should be displayed for a reasonable period of time for the information of teachers, parents and students and then be retained for audit purposes. DSS schools should refer to the guidelines on conducting fund-raising activities uploaded onto the EDB's Homepage in organizing fund-raising activities.
5	<p><u><i>Donations</i></u> A school received donations from its suppliers. The school had not set out any criteria on the acceptance of advantages and donations to regulate the practice.</p>	Receiving donations from suppliers may give rise to actual or perceived conflict of interest, and may be subject to criticism from the public. It may also unduly affect the price of the goods/services provided by suppliers. DSS schools are required to establish a mechanism to handle donations with reference to the guidelines issued by

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		<p>the EDB, including the principles of accepting donations and the mechanism for disbursement of the funds. The principles of acceptance of donations as promulgated in the prevailing EDB circular on <i>Acceptance of Advantages and Donations by Schools and their Staff</i> have to be complied with. The acceptance of donations by schools should be approved by the SMC/IMC.</p>
6	<p><u><i>Investment</i></u> A school invested part of its non-government funds in high risk investments without thorough risk assessment and prior approval from the SMC/IMC.</p>	<p>Surplus funds which are not immediately required for use by the school may be placed in time deposits/savings accounts with banks licensed under the Banking Ordinance (Cap.155). Regarding surplus funds in the long service payment reserve, the reserve on donations with specific purposes and the reserve for construction, maintenance and upgrading of above-standard facilities, the school may use them for investment in allowable products, i.e. HK dollar bonds or certificates of deposits, after obtaining its SMC/IMC's approval. Other investment products are not allowed.</p>
7	<p><u><i>Purchase of Properties</i></u> A school used part of its non-government fund on purchase of properties that involves bank mortgage loan.</p>	<p>Schools should focus the deployment of resources on improving education quality rather than property acquisition. Should schools have compelling and well-justified reasons for purchasing properties, they will be required to observe the guidelines at <u>Annex 3</u> of the prevailing EDB circular on <i>Use of Government and Non-government Funds in Direct Subsidy Scheme Schools</i>. DSS schools are not allowed to purchase properties through mortgages or any other borrowing arrangements.</p>
8	<p><u><i>Staff Remuneration</i></u> A school provided exceptionally high salary and generous medical insurance to some of its staff.</p>	<p>Under SBM, DSS schools are held accountable to their stakeholders and the community for the use of public funds. They are required to establish a proper and transparent mechanism to determine the</p>

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		<p>staff’s remuneration packages and ensure that the mechanism is implemented properly with sufficient checks and balances. They are also required to ensure that the remuneration packages are fair and justifiable. The criteria such as qualifications, experience, performance and expertise, and the approving authority for determining the remuneration package of an appointee and any subsequent salary adjustment have to be clearly set out. DSS schools are advised to refer to the prevailing EDB circular on <u>Use of Government and Non-government Funds in Direct Subsidy Scheme Schools</u> in this regard.</p> <p>As staff remuneration constitutes a major part of school’s expenses, comparison with the remuneration of civil servants at comparable ranks should be made when determining the appropriateness of remuneration packages for senior positions. It is advisable to observe the “modest and conservative” principle at all times.</p>
9	<p><u>Expenses on Meals and Presents for Staff</u> A school charged the expenses of the school’s anniversary dinner for all of its staff as well as the expenses for the presents given to some of the staff on the same occasion to its non-government fund account.</p>	<p>Expenditure on items such as meal and presents and other fringe benefits for staff is sensitive in the eyes of the public. DSS schools are advised to adopt a conservative and modest approach to such matters. DSS schools need to ensure that such expenses fall within the scope of expenses of non-government funds as set by the SMC/IMC. Moreover, the SMC/IMC should approve such expenses according to the needs and policy priorities of the schools. The SMC/IMC should also consider setting limit of such expenses per occasion and/or per head. The tips as mentioned in point 8 are also applicable.</p>
10	<p><u>Loan</u> A school provided a loan to the</p>	<p>Non-government funds should be used for</p>

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	operator/supplier providing services or supplying commodities to students using non-government funds.	educational purposes directly benefiting students. DSS schools should not provide a loan to any third parties using non-government funds in any circumstances.