

19 August 2016

Education Bureau Circular No. 10/2016

Trading Operations in Schools

[Note: This circular should be read by -

- (a) School Management Committees or Incorporated Management Committees and Heads of all aided schools, caput schools and schools under the Direct Subsidy Scheme and Supervisors and Heads of schools under the English Schools Foundation – for necessary action; and
- (b) Supervisors/Heads of government schools and private schools and Heads of Sections – for information]

SUMMARY

This circular serves to remind schools of the fundamental principles they need to observe when they conduct trading operations on the school premises. This circular supersedes Education Bureau (EDB) Circular No. 24/2008 dated 31 October 2008.

DETAILS

Trading Operations

2. Supervisors, managers or management committees of aided and other schools without Incorporated Management Committees (IMCs) in receipt of recurrent subsidies should only operate or permit to operate on the school premises, or enter into with any person, any trading operations with the prior permission in writing of the Permanent Secretary for Education. In this connection, the form “Application for Permission to Conduct Trading Operations” is at [Appendix 1](#) for use of schools without IMCs. For IMC schools, trading operations should be approved by their IMCs. Prior permission

from respective approving authorities is also required for subsequent changes to the approved trading operations (e.g. change of supplier/contractor, changes to the terms of the agreement with the supplier/contractor). To conduct trading operations, the requirements laid down in the prevailing EDB circular on Procurement Procedures in Aided Schools should be followed where applicable. IMC schools should also refer to the Guide to Financial Management for Aided Schools Operated by Incorporated Management Committees available on the EDB Homepage which can be accessed via the following path:

EDB Homepage > School Administration and Management > School-based Management > Corner for Incorporated Management Committee Schools

Fundamental Principles

3. In conducting trading operations, schools should observe the following fundamental principles:

- (a) No purchase or acceptance of paid services should be compulsory;
- (b) As a rule, schools should not solicit or accept donations or advantages in any form from suppliers/contractors;
- (c) While schools are NOT ALLOWED to accept any donations, or any form of benefits from textbook publishers or textbook retailers, acceptance of donations or advantages from suppliers/contractors should be considered only in very exceptional circumstances with justification of compelling reasons and should be approved by the School Management Committees (SMCs)/IMCs;
- (d) The profits/net income arising from trading operations should be applied for the purposes directly benefiting the students of the schools as stipulated in the regulations 99A(3) and 99B(2) of the Education Regulations;
- (e) The profits/net income arising from trading operations should not be transferred to any third parties, including the parent-teacher associations or school sponsoring bodies; and
- (f) SMCs/IMCs should ensure that their schools have put in place a fair, open and transparent mechanism when selecting suppliers/contractors through competitive tender/quotation exercises at regular intervals, preferably not exceeding three years.

- (g) In handling trading operations and business activities in schools, schools are required to conform to the relevant conditions stipulated in the land lease or tenancy agreement or both.

Relevant Guidelines

4. Schools should observe the principles/arrangements set out in the following appendices:

- (a) Guidelines on Conducting Trading Operations at Appendix 2;
- (b) Specific Principles/Arrangements of Different Trading Operations at Appendix 3;
- (c) Guiding Principles on Operating Business/Trading Undertaking Involving Above-standard Facilities in Publicly-funded Schools at Appendix 4; and
- (d) Salient Points for Conducting Trading Operations in Schools at Appendix 5.

5. Schools can also make use of the following reference materials when conducting trading operations:

- Sample Register of Donations Received by Schools;
- List of Major Items for Inclusion in Tender Documents for Trading Operations;
- Points to Note on Preparing Marking Scheme for Tender Evaluation; and
- Standard Tender Terms and Conditions for use by the Government - issued by the Government Logistics Department

6. All the above appendices and reference materials will be updated whenever required and they can be accessed at the EDB homepage via the following path:

EDB Homepage > School Administration and Management > Financial Management > Notes to School Finance > Reference Materials on Trading Operations

7. Schools are also advised to pay attention to the “Best Practice Checklist: Governance and Internal Control in Schools” published by the Independent Commission Against Corruption (ICAC). It can be accessed at the ICAC Homepage via the following path:

ICAC homepage > Corruption Prevention Department > Corruption Prevention Best Practices > Private Companies/Organisations > Education

ENQUIRY

8. For enquiries, please contact the respective Senior School Development Officers.

Ms SO Yuen-yi
for Permanent Secretary for Education