

Operating Expenses Block Grant
User Guide
for Aided Schools

Education Bureau

Updated in May 2025

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1. INTRODUCTION

1.1 The Operating Expenses Block Grant (OEBG) aims at providing aided schools with greater flexibility in the use of resources and to support the implementation of school-based management.

1.2 This Guide spells out the features of the OEBG and the principles and rules for proper and effective use of the funds provided. The financial and accounting control arrangements for implementing the OEBG are also explained in this Guide.

2. FEATURES

Scope

2.1 With effect from the 2000/01 school year, each aided school is provided with an OEBG for meeting operating expenses. The OEBG covers virtually all the recurrent grants, except Salaries Grants or those items of expenditure which are disbursed on an actual claim or reimbursement basis (e.g. grants for rents and rates, passage and baggage allowance for teachers on overseas terms).

Structure

2.2 The OEBG is made up of two separate and distinct parts, known as "domains". These two domains are called "General" and "Special" respectively, as defined below -

General Domain

This covers most of the recurrent grants. Schools are free to decide the amount to be spent on individual constituent grants. If surpluses are available, schools may use such funds to top up expenditure on items in the Special Domain. Surplus of General Domain can also be used on items chargeable to other government subsidies outside the OEBG.

Special Domain

This covers grants which are allocated for achieving specific policy objectives. Each grant within the Special Domain is separate and no transfer will be allowed among the grants. Funds in this domain cannot be transferred out also, although they may be topped up with surpluses from the General Domain. The rationale behind this arrangement is to ensure that schools will deploy the funds for the specified purposes.

2.3 The constituent grants and virement flexibility of the OEBG will change over time. In the light of experience and changing circumstances, the Education Bureau (EDB) may consider, for instance, reclassifying an item in Special Domain as General or grouping some constituent grants in Special Domain to allow virement of funds among such grants. Also, when funds are available for new initiatives, EDB shall determine whether the funds should be included in the OEBG, and in which of its two domains.

Initial level

2.4 The OEBG for the 2000/01 school year is set on the basis of the rates of the constituent grants approved for the 1999/2000 school year, notwithstanding the general deflation during 1999.

Subsequent revisions¹

2.5 The OEBG is revised annually in accordance with the movement of the Composite Consumer Price Index. EDB will also take into account the volume changes in determining the amount of the OEBG for each school (i.e. changes in class number/size, subjects taught, etc.).

Rate reviews

2.6 Apart from inflationary and volume adjustments as mentioned above, EDB will review the need to revise in real terms the rates of individual grants as and when required.

Surplus retention

2.7 To give schools greater flexibility, schools are allowed to retain surplus balance up to twelve (12) months' provision of the OEBG with effect from the 2000/01 school year. EDB will only consider applications for accumulation of surpluses in excess of twelve (12) months' provision in exceptional circumstances.

2.8 When the surplus (excluding the funds set aside as outstanding commitment for the payment of severance payment/long service payment for staff as mentioned in paragraph 3.7 below) exceeds the twelve (12) months' provision, schools are free to decide from which constituent grant the excess may be clawed back by EDB. In this regard, schools may consider paying the excess from the Special Domain first and then from the General Domain. This is because surplus in the General Domain has greater virement flexibility - surplus funds can be transferred to the Special Domain if subsequently found necessary, but not vice versa.

¹ With a view to optimizing and consolidating the use of resources, EDB will adjust the OEBG rates for the 2025/26 school year.

3. PRINCIPLES AND RULES ON USAGE

Fundamental principles

3.1 The OEBG provides schools with greater flexibility in the use of resources. In this regard, schools are allowed to set their own spending priorities and allocations, having regard to the objectives and policies laid down by their School Management Committees (SMCs). Schools are reminded to deploy their resources in a cost-effective manner to meet their individual needs and policy priorities such as:

- (a) reducing language teachers' non-teaching workload;
- (b) providing further support to students in language education; and
- (c) providing funding for large-scale school activities.

3.2 In exercising flexibility in the use of resources, schools are required to consider carefully the interests of both students and staff. The annual provision of government subvention should be sufficient for schools to cover all operating expenditure. Schools should have sound financial planning and good budgeting in utilizing government funding in order to meet the needs of current students as well as school development and various policy priorities. Schools are reminded to establish effective financial management processes in order to deploy their resources in a cost-effective and timely manner and to ensure that expenditures incurred are reasonable and necessary for educational purposes. While schools may retain up to twelve (12) month's provision under the OEBG, they are not expected to keep too much surplus without specific purposes. Starting from the 2012/13 school year, schools may use the surplus of the OEBG for the payment of statutory holidays/annual leave arising from the following types of specific no-pay leave² for their staff remunerated under Salaries Grant :

- (a) no-pay sick/maternity/special tuberculosis leave (referred to as no-pay sick leave);
- (b) no-pay study leave for attending education-related courses;
- (c) no-pay leave granted due to poor health condition with medical documentary proof; and
- (d) no-pay leave granted for alleviating the redundancy problem of an individual school/schools under the same Sponsor (prior confirmation from the School Development Officer concerned is

² Prevailing procedures should be followed in approving no-pay leave to staff in schools. Schools should retain all supporting documents for payment arising from the above specific no-pay leave for record and inspection, if required.

required).

For no-pay leave other than the above listed, schools should take own responsibility to fulfill all statutory requirements including meeting any possible expenditure out of non-government funds.

3.3 Schools may use the OEBG to subsidise students' participation in local/overseas learning activities/competitions, which may cover accommodation and travelling expenses according to the principles on usage of the OEBG. Such arrangement should cover students' participation nominated by schools, but not those merely at the request by students; in the circumstances that the students receive sponsorship from other sources at the same time, the subsidy provided by schools should not be provided in full in order to avoid double subsidy. Schools are reminded to use their resources in a prudent manner with endorsement by the SMC. Also, they have to establish effective financial management processes in order to deploy their resources in a cost-effective and timely manner and justify that expenditures incurred are reasonable and necessary for educational purposes. Schools are reminded that all journeys for students' participation in local/overseas learning activities/competitions should be made by the most appropriate and economical mode of transport having regard to operational needs.

3.4 Schools must not use the provision to procure services or materials merely to drill students for assessments. Expenditures on celebration, entertainment, flower baskets, fruit baskets, wreaths and all other similar items for ceremonial activities or tributes to other schools should be kept to the absolute minimum. In addition, schools must ensure that any recurrent consequences arising from exercising funding flexibility will be absorbed within the OEBG or met by schools' own funds.

Rules on usage

3.5 In incurring expenditure, schools should observe the ambit of the constituent grants of the OEBG, as set out in the Codes of Aid and in circulars issued by EDB from time to time. In addition, schools should ensure that the total spending should be kept within the amount of the OEBG, i.e. no topping up of the OEBG will be given.

3.6 Subsidy will continue to be provided for Provident Fund (PF)/Mandatory Provident Fund (MPF) contributions in respect of janitors, clerical and other supporting staff employed within the provision allocated by EDB for Administration Grant/Revised Administration Grant³. For staff employed with funds under other constituent grants of the OEBG, schools are required to meet the PF/MPF contributions with the respective grants or surplus funds under the OEBG or their own funds. An illustration of how the PF/MPF contributions will be met

³ Including Administration Grant for Additional Clerical Assistant for aided secondary schools.

by the subsidy from EDB and from the school's own funds is provided at *Appendix A*.

3.7 While deploying the constituent grants under the OEBG such as Capacity Enhancement Grant and Administration Grant/Revised Administration Grant to employ staff, schools should set aside part of these grants for the payment of severance payment/long service payment as outstanding commitment. In case these grants are insufficient to settle the payment, schools may deploy surplus in the General Domain of the OEBG to cover the deficit⁴. Schools should keep a separate ledger for the severance payment/long service payment and work out the amount payable to each staff concerned on their cessation of service. (Points to note for the severance payment/long service payment at *Appendix B*).

3.8 On the basis of the principles and rules stated above, the following items of expenditure are also not allowed to be charged to OEBG –

- (a) provision of souvenirs to their teachers/any other staff;
- (b) the cost of purchase/installation of air-conditioners in their classrooms/special rooms/halls/any other rooms, which are not related to any EDB approved programs (such as confirmed “eligible facilities” under the Air-conditioning Grant);
- (c) the cost of electricity, repairs, replacement, maintenance and related expenditure for air-conditioners not eligible for EDB funding or any other equipment that are purchased by schools’ own fund or by subsidy from other government departments/Quality Education Fund. Also, if schools collect air-conditioning fees from their students, the respective electricity charges and maintenance expenditure should not be charged to any funding from EDB;
- (d) any additional salaries to their serving teachers from Capacity Enhancement Grant (CEG) for teaching tutorial classes to their students;
- (e) entertainment expenses such as lunch/dinner for staff not related to their discharge of duties⁵;

⁴ If there is insufficient surplus under the General Domain of the OEBG, separate subsidies are provided to aided primary, aided secondary and special schools to pay the long service payment for non-teaching staff employed under Administration Grant/Revised Administration Grant; aided primary and special schools may also claim reimbursement of the severance payment for these staff following the prevailing procedures. As for aided secondary schools, the severance payment of the non-teaching staff should be paid through Administration Grant, which is not reimbursable. For details of application, schools should refer to the [Guidelines for Processing Severance Payment and Long Service Payment](#).

⁵ As a guiding principle, entertainment expenses such as lunch/dinner for staff should not be charged to the OEBG or any school funds account. However, under school-based management, the SMC may approve expenses on entertainment according to the needs and policy priorities of the school on condition that the expenditures incurred are reasonable and necessary for educational purposes and met in a cost-effective manner. In this connection, the expenses in respect of breakfasts/lunches/dinners incurred by school staff in relation to their discharge of duties in major school functions such as School Anniversary Dinner, Parent Teacher Association Annual Dinner, etc. can be charged to the OEBG. Schools are required to avoid

- (f) fringe benefits/welfare for staff, including housing benefits, provision of food or food allowance, medical expenses, travelling expenses⁶, etc.;
- (g) penalty charges, fines and interest payments;
- (h) loans to staff or third parties;
- (i) subscription to staff associations and professional bodies;
- (j) write-offs e.g. overpayments;
- (k) administrative and management expenses, including salaries of staff, of the headquarters or other service units of the school sponsoring body;
- (l) donations;
- (m) the cost of travelling, accommodation, provision of food and related expenses for their staff for local/overseas visits that are for the purpose of leisure, instead of training; and
- (n) any other items announced via Circular/Circular Memorandum issued by EDB from time to time.

The above list is not exhaustive. EDB will revise the list and inform schools of the changes as and when appropriate. In case of doubt, schools should consult the Regional Education Offices of EDB.

lavishness and to make conscientious decision in providing such expenses. The limits of such expenses per occasion and per head are \$200 for breakfast/other official meals, \$450 for lunch and \$600 for dinner with service charge and tips included. The SMC is required to provide full justifications if the expenses exceed these limits.

⁶ The SMC may approve travelling expenses for teachers (including related staff/caretakers of special schools, where appropriate) escorting students in study tours in relation to their discharge of duties, as well as the travelling expenses for staff on official duty or training (unless otherwise specified in the relevant guidelines issued by EDB), both local and overseas, on condition that the expenses incurred are reasonable, necessary for educational purposes and met in a cost-effective manner. The expenses can be charged to the OEBG. However, travelling expenses incurred on journeys between home and school are normally not reimbursable. Schools are reminded that all journeys for official duty or training should be made by the most appropriate and economical mode of transport having regard to operational needs. Schools should critically assess the necessity of providing related expenses and allocate appropriate resources according to their needs and policy priorities. They are reminded to follow established processes in approving such expenses.

4. FINANCIAL AND ACCOUNTING ARRANGEMENTS

Expenditure budget

4.1 To enable schools to know in advance the amount of OEBG funds available for the school year, and to facilitate schools in setting their own spending allocations, EDB will issue an Allocation Advice (proforma at *Appendix C*) to schools before the school year commences.

4.2 On the basis of the Allocation Advice, schools should devise its own budget (proforma at *Appendix D*) on how to use the OEBG funds. Schools should seek the approval of their SMCs of the budget and make the approved budget transparent to all parties concerned. Schools should also submit a copy of the approved budget to the Regional Education Offices.

Expenditure control

4.3 To ensure that the OEBG funds are spent properly and cost-effectively, schools should establish effective financial management processes and obtain directives from their SMCs regarding the scope, criteria and rules for allocating funds. Schools should ensure that the approved budget is followed in incurring expenditure. As there may be practical difficulties for schools to revert promptly to SMCs for making variations to the approved budget arising from urgent or unforeseeable circumstances, schools may consider seeking delegation of the authority from SMCs for making changes to the budget up to a certain financial limit.

4.4 Schools should ensure that the total expenditure is kept within the amount of OEBG. Any deficit will have to be met by the schools' own funds. Also, if expenditure is found improperly incurred or charged to OEBG funds, EDB shall ask the school concerned to explain the anomalies. In the absence of acceptable explanations, the school should make good such expenditure by charging it to its own funds.

Release of OEBG

4.5 OEBG funds are released to schools according to the following schedule –

- (a) Administration Grant will be paid monthly.
- (b) Other grants will be released in one lump sum in August (e.g. Consolidated Subject Grant) or in two tranches in August and April (e.g. School and Class Grant). Adjustment may be made during the year to account for changes in class number/size, subjects taught, etc.

- (c) School-based Support Scheme for Newly-arrived Children will be paid once a year on submission of claims by schools.

Accounting and reporting requirements

4.6 Schools should continue to maintain separate ledger accounts for each constituent grant of OEBG. In addition, schools should keep a General Domain Control Account and a Special Domain Control Account for the purpose of recording and monitoring the surpluses. Schools should also report periodically to their SMCs the expenditure position of OEBG. A proforma expenditure report is at *Appendix E*.

4.7 Schools should submit audited annual accounts and such other financial statements by the due date as required by EDB as at present. To enhance transparency, schools are encouraged to upload their audited accounts onto their websites. They are also advised to disclose financial information properly in their School Report, which is to be uploaded onto the website of the schools. In respect of OEBG, schools should submit the financial statement in accordance with the prevailing circular memorandum calling for submission of audited accounts. The auditors should certify that the OEBG funds have been used in accordance with the ambit and rules as promulgated in the Codes of Aid and in circulars issued by EDB from time to time.

Surplus retention

4.8 Schools should ascertain the surplus balances of grants under the General Domain and Special Domain respectively. The surpluses (excluding funds set aside as outstanding commitment for the payment of severance payment/long service payment for staff as mentioned in paragraph 3.7 above) should be totalled and if this total exceeds the twelve (12) months' provision of OEBG for the current year, schools should return the excess to EDB as set out in paragraph 2.8.

Administration Grant (AG) and Revised Administration Grant (RAG)

4.9 Starting from the 2003/04 school year, for schools which may not have sufficient surpluses in their General Domain for fulfilling the contractual commitments they have made in the engagement of janitors/clerks paid by the AG or RAG, EDB will, on an exceptional basis, allow them, upon successful application, to transfer their Special Domain surpluses to top up the costs to be incurred in the continued employment of janitor/clerical staff paid by the AG or RAG already committed by them. The application should show that the following conditions have been met and should be endorsed by the School Management Committee and be forwarded to the respective Regional Education Offices for processing –

- (a) existing contractual obligation to the continued employment of the janitor/clerical staff paid by the AG or RAG in the school year;

- (b) insufficient surplus in the General Domain for fulfilling (a) above; and
- (c) surplus being available in the Special Domain.

For (b) above, schools are required to exhaust the surplus in the General Domain for paying the staff employed under AG or RAG before using the surplus in the Special Domain to pay for the remaining balance. Each application will be considered on its individual merits, and approval, if granted, is subject to annual review.

**Illustration of how the Provident Fund (PF) / Mandatory Provident Fund (MPF)
contributions to be met by the subsidy
from EDB and from the school's own funds**

Claim for the 20XX/XX School Year

Name of School : XXX School

Administration Grant entitlement : \$1,221,000 (based on approved classes)

Staff	Basic Salary (\$)	Employer's PF/MPF Contributions (\$)			Remark
		5%	10%	15%	
A	122,100	-	-	18,315	
B	122,100	-	-	18,315	
C	122,100	-	-	18,315	
D	122,100	-	-	18,315	
E	122,100	-	-	18,315	
F	122,100	-	-	18,315	
G	119,760	-	11,976	-	
H	117,420	5,871	-	-	
I	122,100	-	12,210	-	
J	122,100	-	12,210	-	
K	117,420	5,871	-	-	
L	2,800	-	-	-	Part-time
Total	<u>1,334,200</u>	<u>11,742</u>	<u>36,396</u>	<u>109,890</u>	

Total Employer's PF/MPF contributions paid by the school = \$158,028.

EDB's calculation for subsidy on Employer's PF/MPF contributions in respect of Administration Grant

Staff	Basic Salaries (\$)	PF/MPF Contributions Percentage	Subsidy on Employer's PF/MPF Contributions (\$)
A	122,100	15%	18,315
B	122,100	15%	18,315
C	122,100	15%	18,315
D	122,100	15%	18,315
E	122,100	15%	18,315
F	122,100	15%	18,315
I	122,100	10%	12,210
J	122,100	10%	12,210
G	119,760	10%	11,976
H	117,420	5%	5,871
K	7,020	5%	351
Administration Grant entitlement	1,221,000	Paid by EDB	152,508
K	Paid by school *	5%	5,520
L	Paid by school *	N.A.	0
	<u>1,334,200</u>		<u>158,028</u>

* Or out of OEBG surplus fund

**Points to note for the Severance Payment and Long Service Payment
for staff paid under the constituent grants of the OEBG**

1. Severance payment and long service payment are regulated by the Employment Ordinance (Cap. 57). As employers, schools should refer to the relevant provisions of the Employment Ordinance and ensure compliance. For quick reference about details of severance payment and long service payment, please refer to Chapter 11 of “A Concise Guide to the Employment Ordinance”⁷ published by the Labour Department, which sets out the relevant provisions in simple terms. The Labour Department also provides an online calculating tool (“EasyCal”) in the thematic webpage on the abolition of MPF offsetting arrangement⁸ for calculation of severance payment and long service payment for cases where the employment was terminated on or after 1 May 2025 (i.e. the effective date of the abolition of MPF offsetting arrangement), with another online calculating tool (“Statutory Employment Entitlements Reference Calculator”⁹) for calculation of severance payment and long service payment for cases where the employment was terminated before 1 May 2025.
2. The following should be noted in paying the severance payment/long service payment to staff employed under the constituent grants of OEBG:
 - (a) the salaries must be fully subvented by government ;
 - (b) the years of service counted in the calculation of severance payment/long service payment must be covered by government subsidies ; and
 - (c) any gratuities and/or employer’s contribution together with interests/dividends in Provident Fund Schemes/Mandatory Provident Fund must be set off to the fullest extent permitted by the Employment Ordinance against severance payment/long service payment.
3. Schools should determine an individual’s eligibility and calculate the severance payment or long service payment in accordance with the Employment Ordinance. In case of doubt, it is the responsibility of the Supervisor to consult the Labour Department.
4. Schools should keep an updated register of staff employed under the constituent grants of OEBG, with their names, posts, grant under which employed, first appointment date, last employment date, years of service, last month’s wage, total wages earned, accrued benefit of employer’s contribution to PF/MPF/Gratuity in the current school, amount of severance payment/long service payment set aside as outstanding commitment, actual payment, net outstanding amount and account to defray outstanding amount, etc.

⁷ <https://www.labour.gov.hk/eng/public/wcp/ConciseGuide/11.pdf>

⁸ <https://www.op.labour.gov.hk/en/calculator.html>

⁹ <https://www.lr.labour.gov.hk/web/en/calculator/index.html>

Example: ABC Secondary School - Register of staff employed under OEBG and their Severance Payment/ Long Service Payment as at 31.8.2025

No	Name of staff	Post	Grant under which employed	First Appointment Date	Last Appointment Date	Years of Service as at 31.8.25	Last month's wage (HK\$)	Accrued Benefit of Employer's Mandatory Contribution to PF/MPF [#] (HK\$)	Accrued Benefit of Employer's Voluntary Contribution to PF/MPF [#] (HK\$)	Gratuity (HK\$)	Severance Payment/ Long Service Payment as outstanding Commitment* (HK\$)	Actual Payment paid (HK\$)	Net outstanding amount (HK\$) (j) - (k)	Account to defray outstanding amount for Severance Payment/ Long Service Payment
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i1)	(i2)	(i3)	(j)	(k)	(l)	(m)
1	Ms A	Teaching Assistant	CEG	1.9.2020		5	13,485	38,165	0	0	6,785	0	6,785	CEG
2	Ms B	Clerk	AG	1.11.2020	31.8.2025	4 yrs & 10 mons.	10,946	30,007	0	0	5,261 (Severance Payment)	5,261	0	AG & surplus under General Domain of OEBG
	Total										12,046	5,261	6,785	

On the assumption that there is no investment return derived from the accrued benefits of employer's mandatory and voluntary contribution to PF/MPF Figures are rounded up to the nearest whole number*

- Schools should keep a separate ledger for the severance payment/long service payment and set aside an appropriate amount of the OEBG as outstanding commitment for the staff employed under the constituent grants of the OEBG. Schools may also consult external auditors for details, including how and when the provisions should be made or adjusted.

**Proforma
OEBG Allocation Advice
for the 20XX/XX School Year**

School Code : nnnn
School Name : XXX School

Date :

<u>Name of grant</u>	<u>No. of Instalment</u>	<u>Basis⁽¹⁾</u>	<u>Total Allocation^{(2),(3)}</u> \$
General Domain			
Administration Grant			
Supplementary Grant			
.			
.			
.			Sub-total (A) _____
Special Domain			
School-based Support Scheme for Newly-arrived Children			
.			
.			
.			Sub-total (B) _____
			Total (A) + (B) _____

Note : (1) Basis of Grant Calculation

PBPA = Per Boarder Per Annum
PCPA = Per Class Per Annum
PLPA = Per Level Per Annum
PPPA = Per Pupil Per Annum
PRPA = Per Room Per Annum
PSPA = Per School Per Annum
PTPA = Per Teacher Per Annum
PUPA = Per Unit Per Annum

- (2) This is a provisional allocation subject to adjustment when information on class size, number of student etc of the school are finalized.
- (3) The provisional allocation has taken into account the regular annual adjustment for the 20xx/xx school year based on the CCPI movement between June 20xx and June 20xx. Please also refer to the circular memorandum on Operating Expenses Block Grant for Aided schools for the 20xx/xx school year for more information.

cc SSDO(xxx)

Proforma
(for reference only)

XXX School
OEBG Expenditure Budget for the 2025/26 School Year

Actual 2024/25 SY \$	Name of grant	Budget 2025/26 SY \$
General Domain		
x,xxx	Administration Grant	x,xxx
x,xxx	Supplementary Grant	x,xxx
x,xxx	.	x,xxx
<u>x,xxx</u>	.	<u>x,xxx</u>
<u>xxx,xxx</u>	Sub-total (A)	<u>xxx,xxx</u>
Special Domain		
x,xxx	School-based Support Scheme for Newly-arrived Children	x,xxx
x,xxx	.	x,xxx
<u>x,xxx</u>	.	<u>x,xxx</u>
<u>xxx,xxx</u>	Sub-total (B)	<u>xxx,xxx</u>
<u><u>x,xxx,xxx</u></u>	Total (A) + (B)	<u><u>x,xxx,xxx</u></u>

Submitted by : _____
(School Principal)

Approved by : _____
(School Supervisor)

Date : _____

Date : _____

Proforma
(for reference only)

XXX School
OEBG Expenditure Report for the period dd/mm/yy to dd/mm/yy

Name of grant	Approved Budget	Revised Budget	Actual Expenditure	Percentage Spent
	(1) \$	(2) \$	(3) \$	(4)=(3)/(2)x100% %
General Domain				
Administration Grant				
Supplementary Grant				
.				
.				
.				
.				
.				
.				
Sub-total (A)	_____	_____	_____	
Special Domain				
School-based Support				
Scheme for Newly-arrived				
Children				
.				
.				
.				
.				
.				
.				
Sub-total (B)	_____	_____	_____	
Total (A) + (B)	=====	=====	=====	