

# **Refined Arrangement for the Surplus of Unit Subsidy**

# 1. Refined Arrangement for the Surplus of Unit Subsidy

- When calculating the ceiling for the accumulated surplus of the unit subsidy from the 2021/22 accounting year onwards -
  - ❑ the teaching staff salary portion (i.e. 60%) and the other operating cost portion (i.e. 40%) will be combined.
    - ➔ The ceiling for the accumulated surplus is calculated based on the whole unit subsidy.
    - ➔ If the accumulated surplus does not exceed its 12 months of the current year provision, even if the surplus of one of the portions (e.g. the 40% portion) has exceeded the ceiling for this portion, the relevant surplus would not be clawed back.

# 1. Refined Arrangement for the Surplus of Unit Subsidy

	Example 1	Example 2	Example 3
Current year provision of unit subsidy (i.e. reserve ceiling) (\$)	<b>10,000</b> (= 60% portion: 6,000 + 40% portion: 4,000)		
Accumulated surplus of the 60% portion (\$)	5,200 Not yet reached reserve ceiling	7,000 (Exceeded reserve ceiling for \$1,000)	7,000 (Exceeded reserve ceiling for \$1,000)
Accumulated surplus of the 40% portion (\$)	4,800 (Exceeded reserve ceiling for \$800)	3,000 Not yet reached reserve ceiling	5,000 (Exceeded reserve ceiling for \$1,000)
Total accumulated surplus (\$)	10,000 Not exceeded ceiling (i.e. 10,000)	10,000 Not exceeded ceiling (i.e. 10,000)	12,000 (Exceeded reserve ceiling for \$2,000)
Clawback of surplus (\$)	0 Surplus of \$800 which exceeded the ceiling of the 40% portion <b><u>will not be clawed back</u></b>	0 Surplus of \$1,000 which exceeded the ceiling of the 60% portion <b><u>will not be clawed back</u></b>	2,000 Surplus of \$2,000 which exceeded the ceiling of the whole unit subsidy <b><u>will be clawed back</u></b>

Combined in calculating clawback of surplus

Under the refined arrangement, the surplus of unit subsidy is still calculated separately according to different sessions (HD, WD and LWD).

# 1. Refined Arrangement for the Surplus of Unit Subsidy

- Implemented from the 2021/22 accounting year.
- Under the refined arrangement, the surplus of unit subsidy is still calculated separately according to different sessions (HD, WD and LWD).
- The 60% of unit subsidy is prescribed for the expenses on teaching staff salaries. The surplus of 40% portion can be used on teachers' salaries, but not vice versa. This basic principle remains unchanged.
- For details, please refer to paragraphs 14 to 16 of EDBCM No. 5/2023.

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

- In the 2021/22 to 2025/26 accounting years, Scheme-KGs are allowed to keep their accumulated surplus of the whole unit subsidy for each corresponding accounting year up to 18 months of their current year provision, even if the accumulated surplus has reached the ceiling of 12 months of the current year provision.
- For those Scheme-KGs having accumulated surplus over 12 months of current year provision in the 2021/22 to 2025/26 accounting years, the surplus for such accounting year will only be clawed back if the total accumulated surplus of unit subsidy has exceeded 18 months of the current year provision.

[Reference material: The circular letter entitled “Arrangement for the Reserve Ceiling of Unit Subsidy and Matters on Financial Management” issued by EDB on 10 February 2023]



# Circular letter issued by EDB on 10 Feb 2023

中華人民共和國香港特別行政區政府總部教育局

Education Bureau

Government Secretariat, The Government of the Hong Kong Special Administrative Region  
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10 February 2023

To: Heads of Kindergartens, Kindergarten-cum-Child Care Centres and Schools with  
Kindergarten Classes joining the Kindergarten Education Scheme

Dear Sir/ Madam,

## Kindergarten Education Scheme Arrangement for the Reserve Ceiling of Unit Subsidy and Matters on Financial Management

This letter informs kindergartens, kindergarten-cum-child care centres and schools with kindergarten classes (collectively referred to as “KGs” hereafter) joining the Kindergarten Education Scheme (Scheme-KGs) of the special arrangement for uplifting the reserve ceiling of unit subsidy from the 2021/22 to 2025/26 accounting years, and reminds Scheme-KGs of the points to note on financial management.

### Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy from the 2021/22 to 2025/26 Accounting Years

To allow KGs to deploy resources more flexibly, the teacher salary portion<sup>1</sup> (i.e. 60%) and the other operating cost portion<sup>2</sup> (i.e. 40%) of unit subsidy have been combined for calculating the ceiling for the accumulated surplus from the 2021/22 accounting year. In other words, the ceiling for the accumulated surplus is calculated on the basis of the whole unit subsidy. Relevant arrangement has been stipulated in the Kindergarten Administration Guide.

<sup>1</sup> The subsidy relating to teaching staff salary and related expenses (such as mandatory provident fund, provident fund, long service payment, etc.).

<sup>2</sup> The other portion (i.e. the portion apart from the teaching staff salary and related expenses) of unit subsidy (including half-day unit subsidy and additional subsidy for whole-day and long whole-day services).

## Kindergarten Education Scheme Arrangement for the Reserve Ceiling of Unit Subsidy and Matters on Financial Management

## Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy from the 2021/22 to 2025/26 Accounting Years

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

	Example 1	Example 2	Example 3
Current year provision (\$)	<b>10,000</b> (= 60% portion: 6,000 + 40% portion: 4,000)		
Total accumulated surplus (Combined in calculation the 60% and 40% portions) (\$)	10,000 or below	13,000	<b>17,000</b>
Reserve ceiling (\$) (12 months provision)	10,000	Not applicable (Reserve ceiling uplifted to 18 months of the current year provision)	Not applicable (Reserve ceiling uplifted to 18 months of the current year provision)
Reserve ceiling (\$) (18 months provision)	<b>Not applicable</b>	<b>15,000</b>	<b>15,000</b>
<b>Clawback amount (\$)</b>	Total accumulated surplus < 10,000 Surplus <b><u>will not be</u></b> clawed back	13,000 < 15,000 Surplus <b><u>will not be</u></b> clawed back	<b>17,000 &gt; 15,000</b> <b>Surplus of \$2,000</b> <b>which exceeded the</b> <b>ceiling <u>will be</u></b> <b>clawed back</b>

Under the refined arrangement, the surplus of unit subsidy is still calculated separately according to different sessions (HD, WD and LWD).

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

- Scheme-KGs **do not need to make individual applications** for this uplifting arrangement.
- Scheme-KGs with reserve ceiling of unit subsidy uplifted will be **individually notified** of the **relevant session (HD / WD / LWD session)** being uplifted.





## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

### Surplus Usage Report of Unit Subsidy

- Relevant template of the surplus usage report could be downloaded from the EDB homepage (EDB homepage ([www.edb.gov.hk](http://www.edb.gov.hk)) > Education System and Policy > Kindergarten Education > Kindergarten Education Scheme > 5. Documents Templates (For reference only)).

#### Surplus Usage Report of Unit Subsidy

(Only applicable to Scheme-KGs with reserve ceiling of unit subsidy uplifted in the 2021/22 accounting year)

Please put a tick “✓” in the appropriate boxes, and delete as appropriate for places marked with an asterisk “\*”.

#### 1. Reserve Ceiling of Unit Subsidy

- Our school (Name of KG: \_\_\_\_\_);  
School registration no.: \_\_\_\_\_) confirms that we have been notified by EDB that the reserve ceiling of unit subsidy for the 2021/22 accounting year has been uplifted to 18 months of the current year provision. The session with uplifted reserve ceiling is:
- Half-day (HD) session       Whole-day (WD) session       Long whole-day (LWD) session

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

- To ensure that Scheme-KGs use the resources effectively after having the reserve ceiling of unit subsidy uplifted to 18 months of the current year provision, relevant Scheme-KGs with uplifted reserve ceiling are required to submit a separate **surplus usage report**, in conjunction with submission of their annual audited accounts **for the next accounting year.**
- e.g. submitting the surplus usage report for the 2021/22 accounting year with the 2022/23 audited account.

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

1

Notification letter  
from EDB

After EDB has completed reviewing the 2021/22 audited accounts, a letter will be issued to inform KGs of the review results. **If the reserve ceiling of unit subsidy of KGs has been uplifted to 18 months of the current year provision, KGs will also receive another letter regarding the related arrangements.**

2

To be  
submitted  
together

2022/23  
audited accounts

**Surplus usage report of  
unit subsidy** for the  
2021/22 accounting year

If the reserve ceiling of unit subsidy of KGs has been uplifted to 18 months of the current year provision in the 2021/22 accounting year, KGs are required to submit the **surplus usage report of unit subsidy** for the 2021/22 accounting year with the 2022/23 audited account.

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

### 3. Overview on the Use of Accumulated Surplus of Unit Subsidy

For the **surplus exceeding 12 months of the current year provision** in the 2021/22 accounting year as mentioned in Part 2(c) above, our school used it in the following items in the 2022/23 accounting year.

Purpose of the expenditure items		Amount (\$) (Please provide breakdown)
<b>Teacher salary related expenses (60%)</b>		
	1. To appoint _____ additional full-time / part-time* teacher(s)	
	2. To uplift the salary and related expenses of _____ teacher(s)	
	3. To pay the severance / long service payment of _____ teacher(s)	
	4. Others (Please specify) _____	
<b>Other operating expenses (40%)</b>		
	1. Non-teaching staff salary and related exp	

To report how the KG used the **surplus exceeding 12 months of the current year provision in the 2022/23 accounting year** in the surplus usage report of unit subsidy

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

- Even if the accumulated surplus of the KG concerned has reached the ceiling of 12 months of the current year provision, **failure in submission of the surplus usage report as per the requirement may lead to ineligibility of the Scheme-KGs concerned for uplifting the reserve ceiling to 18 months of the current year provision in the subsequent accounting year(s).**

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

- Scheme-KGs 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**.
- KGs are not expected to keep too much surplus without specific purposes.

## 2. Special Arrangement for Uplifting the Reserve Ceiling of Unit Subsidy

➤ The special arrangement for uplifting the reserve ceiling of unit subsidy will be included in the Kindergarten Administration Guide which will be updated later.

### ➤ Enquiry

Kindergarten Administration 2 Section

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