

# **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, starting from the processing of the 2021/22 annual audited accounts, -
  - ❑ 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 of the whole unit subsidy 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>5 million</b> (= 60% portion: 3 million + 40% portion: 2 million)		
Accumulated surplus of the 60% portion (\$)	2.6 million Not yet reached the reserve ceiling	3.5 million (Exceeded the reserve ceiling for \$0.5 million)	3.5 million (Exceeded the reserve ceiling for \$0.5 million)
Accumulated surplus of the 40% portion (\$)	2.4 million (Exceeded the reserve ceiling for \$0.4 million)	1 million Not yet reached the reserve ceiling	2.5 million (Exceeded the reserve ceiling for \$0.5 million)
Total accumulated surplus (\$)	5 million Not exceeded the reserve ceiling (i.e. \$5 million)	4.5 million Not exceeded the reserve ceiling (i.e. \$5 million)	6 million (Exceeded the reserve ceiling for \$1 million)
Clawback of surplus (\$)	0 Surplus of \$0.4 million which exceeded the reserve ceiling of the 40% portion <u>will not be clawed back</u>	0 Surplus of \$0.5 million which exceeded the reserve ceiling of the 60% portion <u>will not be clawed back</u>	1 million Surplus of \$1 million which exceeded the reserve ceiling of the whole unit subsidy <u>will be clawed back</u>

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 starting from the processing of the 2021/22 annual audited accounts.
- 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 teaching staff salaries, but not vice versa. This basic principle remains unchanged.
- For details, please refer to paragraphs 14 to 16 of EDBCM No. 1/2025.



## 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 exceeded 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: Kindergarten Administration Guide Chapter 4 School Finance – 4.1.1.3 Surplus or deficit of subsidies (paragraphs 6 to 8).]

# Kindergarten Administration Guide

6. To allow KGs to deploy resources more flexibly, starting from processing the 2021/22 annual audited accounts, the 60% portion and the 40% portion of unit subsidy (i.e. paragraphs 4(a) and (b) above) will be combined for calculating the ceiling for the accumulated surplus. In other words, the ceiling for the accumulated surplus is calculated based on the whole unit subsidy. Specifically, if the accumulated surplus of the whole unit subsidy does not exceed its one-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. In other words,
- On condition that the 40% portion exceeds its reserve ceiling but both the 60% portion and the total accumulated surplus of unit subsidy have not yet reached their reserve ceilings: the surplus will not be clawed back. Under the prevailing principle, such surplus can be deployed for teaching staff salaries;
  - On condition that the 60% portion exceeds its reserve ceiling but both the 40% portion and the total accumulated surplus of unit subsidy have not yet reached their reserve ceilings: the surplus will not be clawed back but must be used on teaching staff salaries;
  - If the surplus of both portions have exceeded their reserve ceilings, the surplus of unit subsidy will thus exceed the ceiling and such surplus will be clawed back.
7. Under the refined arrangement mentioned in paragraph 6 above, the surplus of unit subsidy will still be calculated separately according to different sessions (HD, WD and LWD). To safeguard teachers' salary, the 60% of unit subsidy is prescribed for the expenses on teaching staff salaries. The surplus of 40% portion can be used on teaching staff salaries, but not vice versa. This basic principle remains unchanged.
8. To further support sustainable development of Scheme-KGs and their delivery of quality KG education, a special arrangement for the reserve ceiling of unit subsidy will be made 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

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to 18 months of their current year provision, even if the accumulated surplus has exceeded the ceiling of 12 months of the current year provision. In other words, 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, so that Scheme-KGs can make use of the flexibility under the Scheme to deploy resources more flexibly to meet school-based needs. Please refer to [EDB Circular Memorandum No. 5/2023](#) for details. To ensure that Scheme-KGs which have the reserve ceiling of unit subsidy uplifted could use the resources effectively, the KGs concerned are required to submit a separate surplus usage report. Failure in submission of the surplus usage report as per the requirement, or retaining too much surplus without specific purposes, may lead to ineligibility of the KGs concerned for uplifting the reserve ceiling to 18 months of the current year provision in the subsequent accounting year(s).

## Kindergarten Administration Guide (April 2025 Updated Version)

- Chapter 4 School Finance –  
4.1.1.3 Surplus or deficit of subsidies  
(paragraphs 6 to 8)

**The ceiling for the accumulated surplus is calculated based on the whole unit subsidy**

**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>5 million</b> (= 60% portion: 3 million + 40% portion: 2 million)		
Total accumulated surplus (Combined in calculation the 60% and 40% portions) (\$)	5 million or below	6.5 million	8.5 million
Reserve ceiling (\$) (12 months provision)	5 million	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)	Not applicable	7.5 million	7.5 million
<b>Clawback amount (\$)</b>	Total accumulated surplus < 5 million Surplus <b><u>will not be</u></b> clawed back	6.5 million < 7.5 million Surplus <b><u>will not be</u></b> clawed back	8.5 million > 7.5 million Surplus of \$1 million which exceeded the reserve ceiling <b><u>will be</u></b> <b><u>clawed back</u></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 uplifted reserve ceiling will be **individually notified** by EDB through the Common Log-On System (<https://kgac.edb.gov.hk>). Relevant letter will be issued together with the “Clawback Notification Letter”.

**Education Bureau**  
The Government of the Hong Kong Special Administrative Region

KGAC - eSubmission System (UAT)  
[繁](#) | [簡](#)

Home > Clawback Notification Letter

Login ID: [Logout](#)

**School Name**  
**Please select a branch:**   
**School Type** KG  
**Stream** Local only

KINDERGARTEN

**Clawback Notification Letter**

Send Date	Accounting Year	File Name – Clawback Notification Letter	File Name – Letter on Uplifting of Reserve Ceiling of Unit Subsidy and its Annex (if any) (provided by Kindergarten Administration 2 Section)
2025-03-25 11:24:55	2023/24	<a href="#">322_EDB(FINMS)-KG-2324-250325.zip</a>	<a href="#">Letter from KGA2(322-2324-250325).pdf</a> <a href="#">Annex.zip</a>



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

- To ensure that Scheme-KGs which have the reserve ceiling of unit subsidy uplifted could use the resources effectively, relevant Scheme-KGs are required to submit a separate **“Surplus Usage Report of Unit Subsidy”**, in conjunction with submission of their annual audited accounts for the next accounting year.
- e.g. submit the “Surplus Usage Report of Unit Subsidy” for the 2023/24 accounting year with the 2024/25 audited account.

## 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 2023/24 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 2023/24 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

1

Notification letter  
from EDB

After EDB has completed reviewing the 2023/24 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 together with the “Clawback Notification Letter”.**

2

To be  
submitted  
together



2024/25  
**audited accounts**

**Surplus usage report of  
unit subsidy for the  
2023/24 accounting year**

If the reserve ceiling of unit subsidy of KGs has been uplifted to 18 months of the current year provision in the 2023/24 accounting year, KGs are required to submit the “**Surplus Usage Report of Unit Subsidy**” for the 2023/24 accounting year with the 2024/25 audited account.



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

### 3. Overview on the Use of Accumulated Surplus of Unit Subsidy<sup>5</sup>

For the surplus exceeding 12 months of the current year provision in the 2023/24 accounting year as mentioned in **Part 2(c)** above, our school used it in the following items<sup>6</sup> in the 2024/25 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 teacher(s)	
	3. To pay the teacher(s)	
	4. Others (Please specify)	
<b>Other operating expenses</b>		
	1. Non-teaching staff salary and related expenses	

To report how the KG used the surplus exceeding 12 months of the current year provision of the 2023/24 accounting year in the 2024/25 accounting year in the surplus usage report of unit subsidy

**Total expenditure > Total income in the 2024/25 accounting year**

➔ ✓ Used the accumulated surplus of the 2023/24 accounting year

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

- Even if the accumulated surplus of the KG concerned has exceeded the ceiling of 12 months of the current year provision, **failure in submission of the surplus usage report as per the requirement, or retaining too much surplus without specific purposes, 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 has been included in the Kindergarten Administration Guide.

- **Enquiry**

Kindergarten Administration 2 Section

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