

**Kindergarten Education Scheme (The Scheme)  
Financial Matters — Questions & Answers (Q&As) (Batch 3)**

[The following Q&As aim to provide answers to questions that are commonly asked by Scheme-KGs for reference. With the implementation of the details of the Scheme, the Q&As will be updated regularly for KGs' reference.

“KG Scheme Funds” and “School Funds” mentioned in the Q&As refer to “Government Subsidy” and “Non-government Funds” mentioned in the Education Bureau (EDB) Circular No.7/2016 and other circulars relevant to the Scheme.]

**[I] Claw back of subsidies/grants**

**1. Q: Why are Scheme-KGs required to return part of the subsidies/grants received from EDB? What subsidies/grants are subject to claw back?**

A: Scheme-KGs are encouraged to fully utilise the subsidies/grants to offer free quality KG education. Hence, substantial surplus in this regard is not expected. KGs should be prudent in the use of government subsidies/grants and ensure that expenditure incurred is reasonable and necessary. The Scheme-KG shall ensure that subsidies/grants under the Scheme shall be used for the operation of non-profit-making kindergarten education adopting full local curriculum. The subsidies/grants shall not be used to subsidise any other activities of whatsoever nature.

KGs may retain some surplus to meet contingencies, manpower deployment and provide support to students. For unspent subsidies/grants, upon accumulation to the relevant reserve ceilings, EDB reserves the right to make any adjustment in the subsidies payable to the KG and demand for repayment. If a Scheme-KG is revoked of its eligibility or withdraws from the Scheme, it shall return to EDB the unspent balance of government subsidies/grants as determined and within the period as specified by EDB in writing.

Except those grants disbursed to KGs according to actual expenses (Q6 refers) and others like one-off start-up grant for which the surplus may be retained and spent up to a specified date, all subsidies/grants under the Scheme, including basis unit subsidy, tide-over grant, premises maintenance grant, grant for a cook and grant for support to non-Chinese speaking students, etc., are subject to claw back according to the requirements and specifications set out in relevant circulars and circular memoranda issued by EDB.

2. **Q: How are the respective ‘reserve ceilings’ calculated for the subsidies and grants under the Scheme?**

A: The ‘reserve ceilings’ for respective subsidies/grants under the Scheme are as below -

***Basic Unit Subsidy (60%) and Tide-over Grant :*** For (i) grants relating to teaching staff salary and related expenses (such as mandatory provident fund, long service payment, etc.), i.e. the total of the relevant portion (set at 60%) of the basic unit subsidy and (ii) the tide-over grant, the reserve ceiling is the total of the current year provisions of these two subsidies/grants.

***Basic Unit Subsidy (40%) :*** For the remaining portion (i.e. the portion other than teaching staff salary and related expenses) of the basic unit subsidy, the reserve ceiling is the current year provision of this portion of subsidy.

***Premises Maintenance Grant (PMG) :*** When the accumulated surplus reaches 500% of the current year provision of the grant, the disbursement of the grant will be suspended.

***Grant for a Cook and Grant for Support to Non-Chinese Speaking Students :*** Scheme-KGs are allowed to accumulate a surplus up to the current year provision of the grant.

Except Grant for a Cook and Grant for Support to Non-Chinese Speaking Students, KGs should apportion the other three types of subsidies/grants by half-day (HD) and whole-day (WD) / long whole-day (LWD) sessions for calculation of the reserve ceilings to ensure no cross-subsidization of HD and WD/LWD sessions. No apportionment is required for the Grant for Support to Non-Chinese Speaking Students, which is disbursed on a school basis. Grant for a Cook is only applicable to WD/LWD sessions.

KGs should list out the surpluses of all subsidies/grants and calculate the relevant reserve ceilings in the annual audited accounts. Any excess should be recorded as ‘Amount payable to EDB’. EDB will claw back the surplus of the subsidy/grant based on the annual audited accounts.

3. **Q: What is meant by ‘Current year provision’ for the calculation of the reserve ceilings of subsidies/grants under the Scheme?**

A: Scheme-KGs may have different accounting years from the school years. The adjustments of subsidy/grant disbursements for a school year may not be paid within the same school year or accounting year, but may fall within the forthcoming school year or accounting year. Hence, the ‘current year provision’ should be well defined to ensure correct calculation of the reserve ceilings. The KGs should calculate and record the relevant surpluses/deficits based on such ceilings, and report the amount payable to EDB, if necessary, in the annual audited accounts.

The ‘current year provision’ for a subsidy/grant refers to the actual disbursements of the subsidy/grant received i.r.o. the respective accounting

year, including the adjustments to disbursements. For example -

(i) KG with accounting year ended in March 2019 :  
'Current year provision' = Disbursements received from Apr 2018 to Mar 2019

(ii) KG with accounting year ended in August 2019 :  
'Current year provision' = Disbursements received from Sep 2018 to Aug 2019

For PMG, the calculation of the 'current year provision' is the same as other subsidies/grants above. When the accumulated surplus reaches 500% of the current year provision of the grant, EDB will claw back the excessive surplus of the grant based on the annual audited accounts. The disbursement of the grant will be suspended and any grant disbursed to the KG subsequent to the relevant year will also be clawed back.

On the other hand, a 'notional' PMG will be calculated by EDB in each subsequent year after suspension based on the relevant enrolments and the PMG rate of the year. The disbursement of grant from EDB will only resume when the accumulated surplus in the annual audited accounts falls below 100% of the 'notional' PMG for the accounting year.

Please note that the 'notional' PMG calculated during the period of suspension is only for determination of the timing for resumption of the disbursement of PMG to the KG, i.e. EDB is not liable to any payment of the 'notional' grant so calculated.

The worksheets for Teacher Salary Related Subsidy, Other Operating Expenses Related Subsidy and Premises Maintenance Grant are attached in **Appendix 1** for reference.

**4. Q: What should the KG do to meet EDB's accounting requirements for recording of the subsidies/grants received in the accounting period in the annual audited accounts?**

A: All subsidies / grants under the KG Education Scheme should be recorded based on the actual payment date shown in the **summary of disbursed subsidy / grant or summary of adjustment** issued by EDB. Please refer to the examples in Q3.

**5. Q: If a KG changes its accounting period after joining the Scheme, how should the current year provisions and the clawback amounts for respective subsidies and grants be determined?**

A: Regardless of any change of accounting period, there will not be overlapping or omission for periods covered in the annual audited accounts submitted by the KG. KG should liaise with its auditors for the special arrangement of the first accounting period after the change and inform the Management Services Section, Finance Division of EDB for record purpose.

For calculation of the reserve ceiling, the definition of current year provision

remains unchanged, i.e. the subsidies / grants received from EDB in the relevant accounting period (may be longer or shorter than 12 months), including the adjustment of subsidy/grant disbursements. Please refer to Q3 above for details.

### **[III] Other grants disbursed under the Scheme according to the actual expenses**

**6. Q: How are those grants disbursed to KGs according to the actual expenses accounted for in the annual audited accounts?**

A: There are several grants paid to KGs under the Scheme according to the actual expenses, e.g. special grant on typhoon disturbance, staff relief grant for staff taking paid maternity leave and supply teacher grant, etc. KGs should list out the income and expenditure for such grants in the annual audited accounts.

There will not be any surplus for such grants. However, if a KG incurred relevant expenditure that meet the requirement of the grant in the current accounting period but the reimbursements are received in the subsequent accounting period, the temporary deficit for these accounts will be brought forward to the next accounting period pending reimbursement and need not be made good in the current accounting period.

The updated sample pages, i.e. Statements 2 and 4B, of the annual accounts templates are attached in **Appendix 2** for reference.

**Finance Division  
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