

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

[The following Q&As aim to provide answers to frequently asked questions raised by Kindergartens / Kindergarten-cum-Child Care Centres and Schools with Kindergarten Classes Joining the Scheme (KGs) and will be updated regularly for reference.

“KG Scheme Funds” and “School Funds” mentioned in the Q&As refer to “Government Subsidy” and “Non-government Funds” respectively, as 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 KGs required to return part of the subsidies / grants received from EDB? What subsidies / grants are subject to claw back?**

A: KGs are encouraged to fully utilise the subsidies / grants to offer 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 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. However, if the accumulated surplus of subsidies / grants have exceeded 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 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 designated subsidies / grants for which the surplus may be retained and spent up to a specified date, all subsidies / grants under the Scheme, including Unit Subsidy, Premises Maintenance Grant, Grant for a Cook, Grant for support to non-Chinese speaking (NCS) students, Promotion of Reading Grant for Kindergartens, Kindergarten Activity Grant and Relief Grant for Appointment of Kindergarten Supply Teachers, 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 / grants under the Scheme?**

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

Unit Subsidy : Under the 2017/18 to 2020/21 annual audited accounts, KGs were allowed to accumulate a respective surplus up to one-year provision of the 60% portion of unit subsidy and 40% portion of unit subsidy. Starting from processing the 2021/22 annual audited accounts, the 60% portion and the 40% portion of unit subsidy will be combined for calculating the reserve ceiling for the

accumulated surplus. In other words, the ceiling for the accumulated surplus is calculated based on the whole unit subsidy. KGs are allowed to keep their accumulated surplus of the whole unit subsidy up to 18 months of their current year provision for each corresponding accounting years from 2021/22 to 2025/26. 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.

Premises Maintenance Grant (PMG) : KGs are allowed to accumulate a surplus up to 500% of the current year provision of the grant. If, in a particular year, the accumulated surplus of the grant reaches 500% of the current year provision, EDB will suspend the disbursement of grant and claw back the excessive surplus of that year according to the annual audited accounts for the same year. Any grant further disbursed subsequent to that year will also be clawed back.

Grant for a Cook, Grant for support to NCS Students, Promotion of Reading Grant for Kindergartens and Kindergarten Activity Grant : KGs are allowed to accumulate a surplus up to the current year provision of each respective grant.

Relief Grant for Appointment of Kindergarten Supply Teachers : KGs are allowed to accumulate a surplus of the grant up to three times the annual provision of the grant in the accounting year in which the grant is provided.

In principle, there should be no surplus for rental subsidy. Hence, the arrangement for accumulating surplus is not applicable to Rental Subsidy Scheme. In addition, the arrangement for accumulating surplus does not apply to subsidies / grants which are disbursed on reimbursement basis, such as reimbursement of rates and government rent.

KGs should apportion the unit subsidy and premises related subsidy by half-day (HD) and whole-day (WD) / long whole-day (LWD) sessions for calculation of the reserve ceilings to ensure no cross-subsidisation of HD and WD/LWD sessions. No apportionment is required for the Grant for support to NCS Students, Promotion of Reading Grant for Kindergartens, Kindergarten Activity Grant and Relief Grant for Appointment of Kindergarten Supply Teachers which are disbursed on a school basis. Grant for a Cook is only applicable to WD/LWD sessions.

KGs should list out the surplus of each subsidy / grant and calculate the relevant reserve ceiling 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: 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 by a KG in respect of the respective accounting year, including the adjustments to disbursements. For example -

(i) KG with accounting year ended in March 2024 :
'Current year provision' = Disbursements received from Apr 2023 to Mar 2024

(ii) KG with accounting year ended in August 2024 :
'Current year provision' = Disbursements received from Sep 2023 to Aug 2024

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.

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 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. After every accounting year of the KGs, EDB will issue via Common Log-On System the Annual Statement on Subsidies / Grants, which will state the annual total amount of each subsidy / grant, adjustment amount and split the subsidies / grants into related sessions (i.e. HD and WD/LWD), so that the KGs can record correctly the subsidies / grants under the Scheme in the annual audited accounts.

5. Q: If a KG changes its accounting period, how should the current year provisions and the reserve ceilings for respective subsidies and grants under the Scheme be determined?

A: Regardless of any change of accounting period, there should 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.

[II] 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. Staff Relief Grant for Staff Taking Paid Maternity Leave, Supply Teacher Grant and Special Supply Teacher Grant, etc. KGs should list out the income and expenditure for such grants in the annual audited accounts submitted to EDB.

Since these grants are disbursed according to the actual expenses, there will not be any surplus for such grants. However, if a KG incurs 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 by other subsidies or School Funds in the current accounting period.

For details, please refer to Statement 2 and Statement 4A of the annual accounts template in Education Bureau Circular Memorandum No. 96/2024.

[III] Accounting matters for relocation

7. Q: If a KG relocates its school premises, how should the “KG Scheme Funds” and the “School Funds” in the existing KG’s accounts be handled?

A: If a KG relocates its school premises, the existing KG’s accounts, including the “KG Scheme Funds” and the “School Funds”, should be carried forward to the accounts of relocated KG.

8. Q: If a KG sets up another new KG and ceases its existing operations, how should the “KG Scheme Funds” and the “School Funds” in the existing KG’s accounts be handled?

A: If a KG sets up another new KG and ceases its existing operations, the existing KG should submit to EDB a full set of final audited accounts in respect of the closed KG (covering the period up to and including the last day of school operation) no later than four months from the date of cessation of operation and return the balance of each subsidy / grant within the period and in the amount as specified by EDB in writing.

9. Q: During the period of relocation, can the utility charges (such as water, electricity and gas expenses) of the new school premises be recorded in the “KG Scheme Funds” of the existing KG’s accounts?

A: After completing the school registration of the new KG and receiving the unit subsidy based on the student enrolment in the new KG, the KG can use the other operating cost portion of the unit subsidy (i.e. the 40% portion) to cover the general operating expenses of the new KG.

[IV] Accounting matters for closed KGs

10. Q: When should a closed KG submit its final audited accounts to EDB? Can the period covered in its final audited accounts exceed 12 months?

A: A closed KG should submit to EDB a full set of final audited accounts no later than four months from the date of cessation of operation.

There should not be overlapping or omission for periods covered in the annual audited accounts submitted by the KG. The final audited accounts should cover the period up to and including the last day of school operation. The period covered for the final audited accounts may be longer or shorter than 12 months. For example, if the last day of school operation is 31 August 2024, and the KG normally prepares audited accounts with an accounting year ending in March, then its final audited accounts can cover the period from 1 April 2023 to 31 August 2024 (i.e. 17 months) or from 1 April 2024 to 31 August 2024 (i.e. 5 months).

11. Q: How should a closed KG handle any subsidies / grants received from EDB after the date of cessation of operation in its final audited accounts?

A: All subsidies / grants received from EDB and the recognised expenditure under the Scheme must be reported in the “KG Scheme Funds” of the final audited accounts. EDB will review the final audited accounts submitted by the closed KG and calculate the clawback amount of each subsidy / grant (if any). Closed KGs shall return the balance of each subsidy / grant within the period and in the amount as specified by EDB in writing.

**Finance Division
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