

非政府機構儲備

簡明指南

A CONCISE GUIDE ON

NGO RESERVES



香港社會服務聯會

香港社會服務聯會（簡稱「社聯」）是一個代表非政府社會服務機構的聯會組織，有逾五百間機構會員，它們透過屬下三千多個服務單位，為本港市民提供優質社會服務。

社聯致力在本港建立一個具高度問責性、有效率、具成效、能照顧社會需要的社會福利界，維護社會的長遠持續發展和市民的福祉。

如欲進一步了解社聯，請瀏覽：

<https://www.hkcss.org.hk>



About The Hong Kong Council of Social Service

The Hong Kong Council of Social Service ("HKCSS") is a federation of non-government social service agencies of Hong Kong representing more than 500 Agency Members that provide quality social services through their 3,000 operating units in Hong Kong.

HKCSS's vision is to build a welfare sector that is highly accountable, efficient, effective and responsive to social needs, safeguarding the long-term sustainable development of society and the well-being of citizens.

For more information about HKCSS, please visit :

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本資料僅作一般參考之用，並非作為會計、財務、投資、稅務或其他專業意見的根據，請向您的顧問諮詢具體意見。

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, financial, investment, tax or other professional advice. Please refer to your advisors for specific advice.

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序

社聯於2019年進行了一項名為「社會服務機構財政儲備」的調查，¹發現非政府機構（簡稱「機構」）在制訂儲備政策上，需要更多支持和指引，以加強財務管治。本簡明指南旨在增加機構在這方面的知識，內容包括以下三個部份：

第一部份：一般說明

第一部份扼要地討論與儲備管理有關的基本原則，為讀者需要注意的重要範疇提供一個概覽。這部份以淺白的語言編寫，盡量避免使用專業術語。

第二部份：儲備政策文件範例

第二部份是儲備政策文件的範例，以範本形式編制，供有需要的讀者作參考。有關範例涵蓋典型儲備政策文件的關鍵元素，機構可因應各自的宗旨及情況修訂或增減其內容。

第三部份：資源及參考資料

第三部份是機構或感興趣的參考資料。

這本《非政府機構儲備簡明指南》的作用是幫助機構提升儲備管理的知識，以及了解需進一步改善的範疇。讀者須注意本指南的適用性會因應機構的規模和成熟程度而有差異，因此當使用本指南時須適當地考慮機構本身的情況，包括但不限於其營運環境、服務模式、財政狀況和管治架構等。

如有疑問，應諮詢專業意見。

¹ 《社會服務機構財政儲備調查報告》，2019，德勤諮詢（香港）有限公司。
<https://governance.hkcass.org.hk/zh-hant/node/360>

第一部份

一般說明



何謂儲備

在財務會計中，儲備通常是指股東權益的一部份。在非牟利機構會計中，儲備是指機構內沒有受到限制、可以自由運用於任何符合機構宗旨的資金。一般而言，機構日常營運中會產生盈餘，然後從中撥出用途沒有受限制的一部份，日久積累成為儲備。也有一些機構在其預算中加入一個專項，以建立儲備。

並非所有沒有用途限制的資金皆可以隨時被動用，因此某些數額不應被視作儲備。它們包括：

- 以有形固定資產方式持有、並用於推行機構活動的資金，例如土地和建築物；
- 與僅為實踐機構宗旨而舉辦之活動相關的投資；
- 配合未來發展所作出的劃撥，例如為預期無法從未來收入得到足夠資源的項目提供資金；及
- 尚未在帳目中列為負債的承諾。

當機構持有非限定用途的資金，應按照良好常規，制訂適當的政策和準則，規範如何使用和維持不同的指定儲備，以強化財務管理和規劃。



營運儲備

營運儲備是機構撥出的非限制用途資金，於財政出現短暫波動時提供緩衝，例如突發的現金流短缺、日常運作超支或營運虧損等。現金流短缺可以是由於未能如期收到應收款項、非預期的建築維修支出或社會經濟狀況所引致。

除非機構已有計劃於不久將來有替代的收入或減少支出，否則營運儲備不應用於彌補長期或永久性收入不足。營運儲備的目的是幫助解決短期問題，而不是處理結構性的財務問題。

機構應根據自身的財務狀況和需要來決定營運儲備的水平。社聯於2019年進行的調查顯示，參與研究機構的一般和非指定用途儲備金額平均可以維持11.2個月非整筆撥款資助服務的支出。當中，沒有穩定資助的機構之儲備金額，可維持12.7個月的營運，較有穩定資助的機構只持有相當於7.7個月支出的儲備金額為高。²

每間機構應根據其現金流和支出水平來設定其目標儲備金額。一般情況下，具固定收入及穩定收支模式的機構，比依賴間歇性撥款、活動籌款或季度性活動的機構所需的儲備水平相對較低。



限定用途資金

限定用途資金與非限定用途資金相反，是為特定活動或項目而設的撥款及捐助。機構只可按撥款協議或捐款者的指示，以特定方式或為特定目的使用款項。限定用途資金由於在使用上有規限，因此不能構成儲備的一部份。



其他類型的儲備

除了營運儲備，機構還可以設立其他儲備來累積財政資源，用以購置固定資產、維修及置換建築物、支持特定計劃和未來發展等目的。設立這些儲備時，須明確說明其目的、預期所需的金額及資金來源。



整筆撥款儲備

對於接受社會福利署整筆撥款的機構，須按特定的要求來決定和交代整筆撥款資助活動所產生的盈餘。³ 整筆撥款儲備應與其他資金來源所支持的活動或營運產生的儲備分開。受資助的機構應熟悉整筆撥款的要求，確保符合規定。



何謂儲備政策

儲備政策是向現有和潛在的資助者、捐贈者、受惠者和其他持份者，解釋為何機構要持有一定金額的儲備。所有機構都需要制訂儲備政策，以建立適合的儲備水平，並向持份者清楚說明，為什麼需要這些儲備。

² 《社會服務機構財政儲備調查報告》，2019，德勤諮詢（香港）有限公司，第9頁。
<https://governance.hkcss.org.hk/zh-hant/node/360>

³ 《整筆撥款手冊》，2016，社會福利署。
https://www.swd.gov.hk/tc/index/site_ngo/page_subventions/sub_lsgmanual



儲備政策的重要性

一個良好的儲備政策能解釋如何使用儲備金來應對不確定因素，如儲備是用於資助未來的服務或活動，政策要說明如何及何時使用該儲備。儲備政策可確保機構積極管理財政，亦能確保機構的持續性。儲備政策還有助展示機構的良好管治，提升其問責性和透明度。



制訂儲備政策

制訂儲備政策所採用的方法因機構的規模、活動的繁複性、法律架構以及收到或持有資金的性質而異。在所有情況下，制訂儲備政策都涉及：

- 分析機構收到和持有資金的性質，以分辨機構可用之非限定用途資金；
- 辨識潛在的不確定因素及所需儲備以應對預期外的資金需要；及
- 評估單一年度收入未能支付所有項目或支出的可能性。

完成上述步驟，機構將可確認持有儲備的需要，及決定維持有效運作所需的儲備金額。



儲備水平

儲備的水平應反映個別機構的自身情況。儲備的目標水平可以具體數字或金額幅度來顯示，決定時應參考：

- 預測當前和未來一年的收入水平，並考慮每項收入來源的可靠性及開發新收入來源的前景；
- 根據已規劃的活動測算當年和來年的支出水平；
- 分析未來任何的需求、機會、承諾或風險，致使預期的收入不足以支付估計的開支；及
- 評估出現赤字的可能性以及無法填補逆差的潛在後果。

不論是否從負擔能力著眼，若機構決定將儲備訂定於零或較低水平，必須慎重考慮其財政的長遠可持續性，以及是否設有停運策略，能有序地處理非規劃的倒閉和破產；如受眾是弱勢社群，他們將如何能繼續得到照料。



儲備的使用和授權

當所需儲備款項低於規定限額或可於指定時限內歸還，大多數機構都會容許機構主管在獲得財務委員會（簡稱「財委會」）及／或司庫同意下動用儲備。若超過規定之門檻時，機構主管就須尋求董事會或執行委員會的批准。

當使用儲備時，機構主管和財務職員應確定使用該特定儲備的理由，確認符合儲備的目的。作為程序的一部份，機構主管應分析需要使用資金的原因、除動用該儲備外會否有其他辦法、估算佔用資金的時間和何時能填補及資金來源等因素。

財委會／司庫或董事會應以書面形式作出批准，並記錄於相關委員會／董事會之會議文件內。



匯報與監督

機構主管負責確保機構按照其儲備政策來維持和使用儲備。在獲准使用儲備後，機構主管和財務職員應保留有關使用記錄和儲備補充計劃，也需定期向董事會提交報告，交代儲備的使用及填補至規定最低水平之進度。



政策檢討

機構的董事會有責任檢討儲備政策和儲備水平，還應監督全年持有的儲備水平。當有跡象顯示機構正在累積過多儲備，或儲備比預計中快速地耗減時，應採取適當的行動，使儲備回復正常水平。



儲備投資

當儲備金額累積至一定水平時，董事會應考慮把部份或全部儲備金額用作投資，為機構獲取額外財政收益。在作出投資決定時，董事會應考慮何時需要動用儲備和決定可接受的投資風險水平。

機構所採用的投資政策，⁴必須符合董事會對機構在短時間通知下，需動用部份或全部儲備可能性的評估。某些投資只適合長期持有，如已知機構可能在短期內或沒有充分通知的情況下會急需使用資金，則不宜選擇該等投資。

⁴ 可參考《非政府機構投資簡明指南》，第二修訂版，2022，香港社會服務聯會。
<https://governance.hkcss.org.hk/zh-hant/node/469>



相關政策

機構應保存下列經董事會通過的政策文件，當中會涉及與儲備的建立、充足性和管理之相關條文：

- 機構的管治守則或手冊⁵
- 財務 / 預算政策⁶
- 應變或危機管理計劃
- 投資政策⁷

⁵ 可參考《編寫香港非政府機構管治手冊指南》，香港社會服務聯會及孖士打律師行。
<https://governance.hkcss.org.hk/zh-hant/node/406>

⁶ 可參考《非政府機構財務管治及管理簡明指南》，第二修訂版，2022，香港社會服務聯會。
<https://governance.hkcss.org.hk/zh-hant/node/465>

⁷ 可參考《非政府機構投資簡明指南》，第二修訂版，2022，香港社會服務聯會。
<https://governance.hkcss.org.hk/zh-hant/node/469>

第二部份

儲備政策文件範例

註 - 以下為儲備政策文件的範例，內容僅供參考。機構應按自身情況作適當的修訂。

[機構]

儲備政策文件

於 **[日期]** 由董事會通過

1. 目的

- 1.1 此政策文件記錄了 **[機構]** 建立和維持儲備的目標和政策，以確保其使命、服務、僱用員工和持續營運之穩定性，並為機構訂定的優先事項提供內部資金。此政策文件也界定了要建立儲備的類型及預設用途。
- 1.2 此儲備政策將與 **[機構]** 的其他管治和財務政策配合執行，並支持相關政策、宏圖及營運計劃中所包含的目標和策略。

2. 定義和目標

2.1 營運儲備

- 2.1.1 營運儲備的設立是為了向機構提供內部資源以處理各類突發情況，例如開銷突然增加、超出預期的一次性開支、資金流失或未有保險保障的損失。營運儲備不可用於彌補永久性的資金流失或持續的預算赤字。**[機構]** 會致力在動用營運儲備後，於合理的時間內填補儲備金額。
- 2.1.2 營運儲備是指董事會撥出的指定用途資金，金額至少能應付機構在設定時間內（通常以月為單位）維持日常營運和服務。機構會定期檢討營運儲備，並根據內部和外部的轉變而作調整。
- 2.1.3 最低的營運儲備目標水平相等於 **[#6個月 或 經董事會批核的其他時段]** 之平均營運成本。每月平均營運成本的計算包括所有經常性、可預期的支出，例

如薪金和福利、租金、辦公室開支、交通費、活動費和日常的專業服務費用。固定資產折舊、實物償付和非現金的開支並不計算在內。

註 - 設定營運儲備目標水平下限時，機構可參考《社會服務機構財政儲備調查報告》及考慮本身的情況。

2.1.4 每年財務委員會（簡稱「財委會」）/ 董事會在批核年度預算後，決定營運儲備的目標金額下限。

2.2 其他儲備

註 - 可增加以下適用的段落：

2.2.1 整筆撥款儲備

整筆撥款津助制度資助的活動所產生之盈餘應納入整筆撥款儲備，須根據社會福利署發出的《整筆撥款手冊》及通告之要求而釐定。

2.2.2 樓宇及資本性資產儲備

樓宇及資本性資產儲備旨在提供現成的資金來源，用以添置或維修機構營運和提供活動所需的樓宇、租賃物、傢俱、裝置和設備。

樓宇及資本性資產儲備的目標金額應參考【機構】的財委會 / 董事會所通過的中期資本開支計劃來決定。

2.2.3 發展儲備

發展儲備是為了讓機構把握可達致特殊目標的機遇或進一步實踐其使命提供資金而設立的儲備，這些資金的使用不一定會為機構帶來長遠收入的遞增，它也可以用作建設機構能力的內部資金來源，如員工發展、研究或機構長遠能力建設的基礎設施投資。

發展儲備的目標金額應參考【機構】董事會通過的中期發展策略與計劃來決定。

3. 儲備會計

3.1 儲備金額應按董事會指定的分類在財務報表中列示，並以現金或現金等值形式存放於獨立的銀行帳戶內。若【機構】的投資政策容許，也可以投資方式持有。

4. 儲備的資金

4.1 營運儲備的資金來源於用途不受限制的業務盈餘。董事會可不定期指示撥出特定的收入（如一次性的捐贈或遺產、特定撥款或特別捐款呼籲）作營運儲備。

註 - 可增加以下適用的段落：

- 4.2 樓宇及資本性資產儲備資金源自特定為此儲備籌集資金的活動或撥款，及 / 或每年撥出固定資產折舊費用一定百分比的等額現金，或採納其他適合的準則來建立足夠的資金，以購置新資本資產和更換已屆使用限期的現存資產。
- 4.3 發展儲備資金來源自不定期、特定的籌款活動，及 / 或董事會不時作出的劃撥。

5. 維持目標儲備水平

- 5.1 機構主管在財務經理 / 職員的協助下，負責維持及使用儲備，須保存儲備使用和填補的正式記錄，並向董事會提交儲備狀況的報告。若儲備金出現過度使用，應採取適當的行動將儲備金額回復到目標水平。
- 5.2 若營運儲備低於目標營運儲備水平下限的 **[#90% 或 經董事會核准的其他百分比]**，財務經理 / 職員須盡快將此情況知會機構主管和司庫。

6. 儲備的使用和管理

- 6.1 機構主管和財務經理 / 職員負責辨識使用儲備的需要，並確保動用儲備符合政策規定。向財委會 / 董事會提出動用儲備的正式書面要求時，須一起提交動用儲備之分析和填補計劃的建議。
- 6.2 在獲授權下，機構主管行使權力動用儲備前，須諮詢司庫和 / 或財委會主席，並在下一次董事會會議上報告儲備金的使用，及提出動用儲備的分析和填補計劃的建議。若需超過12個月才能填補儲備，機構主管必須事先獲董事會批准。
- 6.3 董事會應定期 **[#如每年]** 檢討儲備的目標和實際儲備水平，並根據 **[機構]** 需求的變化作出適當的調整。

7. 儲備投資

- 7.1 **[機構]** 可視乎儲備性質、風險偏好和短期現金需求，決定以現金或現金等價物以外投資形式持有的金額，以帶來額外收入。所有機構的投資應符合董事會核准的投資政策。

8. 檢討與修訂

- 8.1 儲備政策文件可以因應需要隨時作出檢討和修訂，但董事會必須最少於每一財政年度內正式檢討一次。未經董事會明確批准，此文件不得作任何更改。
- 8.2 關於上述任何討論和決定，均應妥善地記錄在董事會會議記錄中，並相應地更新本政策文件。



第三部份

資源及參考資料

以下是一些與這簡明指南課題有關的參考資料，機構在制訂其儲備政策時，可作適當的參照。

- (a) 德勤諮詢（香港）有限公司。《社會服務機構財政儲備調查報告》。2019。
- (b) 香港會計師公會。《管治與問責》會計專業惠社群社會責任計劃：參考指引系列。
- (c) 香港會計師公會。《內部監控與審計》會計專業惠社群社會責任計劃：參考指引系列。
- (d) 香港會計師公會。《儲備政策》會計專業惠社群社會責任計劃：參考指引系列。
- (e) 廉政公署及香港社會服務聯會。《社會福利界非政府機構董事會成員及職員行為守則範本（全文版）》。2015。
- (f) 稅務局。《屬公共性質的慈善機構及信託團體的稅務指南》。2021。
- (g) 社會福利署。《整筆撥款和整筆撥款儲備的使用》整筆撥款通告，第9/2003號。
- (h) 社會福利署。《整筆撥款手冊》。2016。
- (i) 香港社會服務聯會。《非政府機構財務管治及管理簡明指南》，第二修訂版。2022。
- (j) 香港社會服務聯會。《非政府機構投資簡明指南》，第二修訂版。2022。
- (k) 香港社會服務聯會及孖士打律師行。《編寫香港非政府機構管治手冊指南》。

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PREFACE

HKCSS conducted the “Survey on Financial Reserves of Social Service Agencies”¹ in 2019 and has noted that NGOs, among other things, need more support and guidance to enhance their financial governance with respect to reserve management. With the objective of strengthening NGOs’ knowledge in this regard, this concise guide is prepared, comprising the following three sections:

Section I : General Explanatory Notes

Section I provides a brief discussion of the basic principles relating to reserves management to give readers an overview of the important areas they should be aware of. This section is written in plain language and has avoided the use of professional jargons, to the extent possible.

Section II : Sample Reserve Policy Statement

Section II is a sample reserve policy statement and has been prepared in the form of a template to serve as a practical tool for those in need. While it has included all the key elements of a typical reserve policy statement, it can be tailored, shortened or expanded to suit the purpose and circumstances of the NGOs. In addition, certain suggested parameters are included in the template to illustrate how the policy works. It should be noted that they are not standard requirements and NGOs must exercise their own discretion when determining their own thresholds.

Section III : Resources and Reference Materials

Section III is a list of additional reference materials which NGOs may find useful and of interest.

¹ “Survey Report on the Financial Reserves of Social Service Agencies”, 2019, Deloitte Advisory (Hong Kong) Limited.
<https://governance.hkcass.org.hk/node/360>

This concise guide on NGO reserves is intended to help enhance NGOs' knowledge on managing reserves and identify areas where further advice or assistance that may be needed. It is acknowledged that the relevance of this guide to NGOs may vary according to their size and maturity. When using this guide, due consideration must be given to the NGOs' own situation, including but not limited to their operating environment, mode of services, financial condition and governance structure, etc.

In case of doubt, consultation should be made with professional advisors.

SECTION I

General Explanatory Notes



What are Reserves

In financial accounting, reserves usually refer to a part of shareholders' equity. In non-profit accounting, reserves are that part of an NGO's unrestricted funds that is freely available to be spent on any of the NGO's purposes. In general, reserves are built up over time by setting aside a portion of the unrestricted surplus generated from the normal operation of the NGO. Some NGOs include a line item in their budget in order to build up a reserve.

Some or all of the unrestricted funds of an NGO may not be readily available for spending, and should not be counted when determining the amount of reserves available for use by the NGO. They include:

- funds held in the form of tangible fixed assets used to carry out the NGO's activities, such as land and buildings;
- programme-related investments held solely to further the NGO's purposes;
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income; and
- commitments that have not been provided for as a liability in the accounts.

When an NGO has unrestricted funds available for spending, it is a good practice to lay down policies and criteria on how they can be spent and maintained under different designated reserve accounts, with the primary objective of better financial management and planning for future needs.



Operating Reserve

An operating reserve is an amount of unrestricted fund set aside to stabilise an NGO's finances by providing a cushion against unexpected cash flow shortages, expenses or losses arising from its ongoing operation. These might be caused by delayed payments, unexpected building repairs, or economic conditions.

Operating reserve should not be used to make up for long-term or permanent income shortfalls, unless the organisation has a plan to replace the income or reduce expenses in the near-term future. The purpose of the operating reserve is to help solve temporary problems, not structural financial problems.

An NGO should determine the level of operating reserves in accordance with its own financial situation and needs. The survey conducted by HKCSS in 2019 showed that the NGOs participated in the study on average maintain a general and non-designated reserves which would be able to support approximately 11.2 months of the agencies' expenditures on non-Lump Sum Grant ("non-LSG") funded services. Among this group, NGOs not receiving recurrent funding hold a higher reserve covering 12.7 months of the operational expenditures in comparison to 7.7 months maintained by those with recurrent funding.²

Each organisation should set its own reserve goal based on its cash flow and level of expenses. In general, the operating reserve level for NGOs that have regular income with reliable payment pattern will be less than those primarily relying on periodic grants, fundraising events or campaigns, or seasonal activities.



Restricted Funds

Contrary to unrestricted funds, restricted funds are grants and contributions that have been received for specific programmes or projects. NGOs are obliged to spend the funds in a specific way or for a specific purpose as specified in the grant agreement or donor's instructions. Restricted funds cannot form part of the reserves due to restriction imposed on their use.



Other Types of Reserves

In addition to operating reserve, an NGO may establish other reserves to build up financial resources for purposes such as fixed assets acquisition, building repair and replacement, supporting specific initiatives and future development. When establishing these reserves, the purposes must be clearly stated, together with the expected amount to be created and the source of funding.



Lump Sum Grant Reserves

There are specific requirements for an NGO supported by Social Welfare Department's LSG to determine and account for its surplus arising from activities using LSG.³ LSG reserves should be kept separate from reserves arising from activities / operations supported by

² "Survey Report on the Financial Reserves of Social Service Agencies", Deloitte Advisory (Hong Kong) Limited, P. 9.
<https://governance.hkcass.org.hk/node/360>

³ "Lump Sum Grant Manual", 2016, Social Welfare Department.
https://www.swd.gov.hk/en/index/site_ngo/page_subventions/sub_lsgmanual

other funding sources. NGOs receiving LSG should be familiar with the requirements and ensure full compliance.



What is a Reserve Policy

A reserve policy explains to existing and potential funders, donors, beneficiaries and other stakeholders why an NGO is holding a particular amount of reserves. All NGOs need to develop a policy on reserves which establishes a level of reserves that is appropriate for them and clearly explains to its stakeholders why holding these reserves is necessary.



The Importance of a Reserve Policy

A good reserve policy will explain how reserves are used to manage uncertainty and, if reserves are held to fund future services or activities, how and when the reserves will be spent. A reserve policy provides assurance that the finances of the NGO are actively managed and its activities are sustainable. It also helps demonstrate good governance, and enhance both accountability and transparency.



Developing a Reserve Policy

The approach adopted to develop a reserve policy varies with the size, complexity of activities, legal structure and the nature of funds received and held by an NGO. In all cases, setting a reserve policy will involve:

- analysing the nature of the funds received and held by the NGO to identify unrestricted funds which can be spent on any purposes of the NGO;
- identifying uncertainties that may arise and the need to hold some reserves to meet an unexpected call on funds; and
- assessing the likelihood that future projects or spending plans cannot be met from the income of a single year.

By working through the above steps, an NGO will be able to confirm the need to hold reserves and to decide the amount of reserves required to operate effectively.



Level of Reserves

The level of reserves to be held should reflect the particular circumstances of the individual NGO. The NGO's target level of reserves can be expressed as a target figure or a target range and should be determined with reference to:

- its forecasts for the level of current and future year income, taking into account the reliability of each source of income and the prospects for developing new income sources;
- its forecasts for the current and future year expenditure on the basis of planned activities;
- its analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs; and
- its assessment of the likelihood of a shortfall arising and the potential consequences of not being able to make up the shortfall.

If an NGO decides to keep a reserve at zero or low level, whether due to its affordability or not, the NGO must consider critically its long-term financial sustainability. In addition, the NGO should ensure there is a strategy for an orderly closure in the event of an unplanned shutdown and insolvency. Where there are vulnerable beneficiaries, the NGO should consider how to take care of them.



Use of Reserves and Authorisation

Most NGOs allow the agency head to access reserves with approval from the Finance Committee (“FC”) and / or Treasurer when the amount is below a defined limit and / or the payback period is within a set number of months. When requests are above those thresholds, the agency head would need to seek approval from the Board of Directors (the “Board”) or Executive Committee.

When there is a need to use the reserves, the agency head and finance staff should identify reasons for accessing the specific reserves and confirm that the use is consistent with the purpose of the reserves. As a part of the process, the agency head should analyse the reason for the needed funds, assess the availability of any other sources of funds before using reserves, evaluate the time period that the funds will be held, and also the time and resources for replenishment.

Approval from the FC / Treasurer or the Board should be obtained in writing and properly documented in the minutes of the Committee / Board meeting where approval is given.



Reporting and Monitoring

The agency head is responsible for ensuring that the reserves are maintained and used in accordance with the NGO’s reserve policy. Upon approval received for the use of reserves, the agency head and finance staff should maintain records of the use and plan for replenishment. Regular report should be provided to the Board of the usage and progress to restore the reserves amount to the target minimum level.



Policy Review

It is the responsibility of the Board of an NGO to keep the reserve policy and the level of reserves held under review. The Board should also monitor the level of reserves held throughout the year. Appropriate actions should be taken when there are signs that the NGO is building-up excess reserves or its reserves are being unexpectedly or rapidly depleted.



Investing Reserves

When significant resources are held as reserves from year to year, the Board should consider whether some or all of the reserves can be invested to obtain a financial return for the NGO. In making the investment decision, the Board should consider when the reserves might be needed and the acceptable level of investment risk.

The investment policy⁴ adopted will need to reflect the Board's assessment of the likelihood that some or all of the reserves held may need to be accessed at short notice. Certain investments are more appropriate as long-term holdings, they may be unsuitable when it is known that a specific amount of cash will be needed in the short-term or at short notice to meet urgent need.



Related Policies

NGOs shall maintain the following Board approved policies, which may contain provisions relevant to the creation, sufficiency and management of the reserves:

- Governance code or manual⁵
- Financial / Budget policy⁶
- Contingency or crisis management plan
- Investment policy⁷

⁴ Reference can be made on "A Concise Guide on NGO Investment", Second Revision, 2022, The Hong Kong Council of Social Service.
<https://governance.hkcss.org.hk/node/469>

⁵ Reference can be made on "Guidelines on How to Develop a Corporate Governance Manual for Hong Kong NGOs", The Hong Kong Council of Social Service & Mayer Brown.
<https://governance.hkcss.org.hk/index.php/node/406>

⁶ Reference can be made on "A Concise Guide on NGO Financial Governance and Management", Second Revision, 2022, The Hong Kong Council of Social Service.
<https://governance.hkcss.org.hk/node/465>

⁷ Reference can be made on "A Concise Guide on NGO Investment", Second Revision, 2022, The Hong Kong Council of Social Service.
<https://governance.hkcss.org.hk/node/469>

SECTION II

Sample Reserve Policy Statement

Note - The following is a sample reserve policy statement for reference. NGOs should make their best endeavour to tailor it to suit their own situation.

[NGO]

Statement of Reserve Policy

Approved by the Board of Directors on [Date]

1. Purpose

- 1.1 This policy statement documents the objectives and policies regarding reserves establishment and maintenance of [NGO] to ensure the stability of its mission, programmes, employment, and ongoing operations and to provide a source of internal funds for organisational priorities. This policy statement also defines the types of reserves to be set up and their intended usage.
- 1.2 This reserve policy will be implemented in concert with the other governance and financial policies of [NGO] and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

2. Definitions and Objectives

2.1 Operating Reserve

- 2.1.1 The operating reserve is intended to provide an internal resource for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Operating reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of [NGO] for its operating reserve to be used and replenished within a reasonably short period of time.
- 2.1.2 The operating reserve fund is defined as a designated fund set aside by action of the Board of Directors (the "Board"). The minimum amount to be designated will be established in an

amount sufficient to maintain ongoing operations and programmes for a set period of time, usually measured in months. It will be subject to periodic review and adjusted in response to both internal and external changes.

- 2.1.3 The target minimum operating reserve is equal to **[# 6 months OR other time interval as approved by the Board]** of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, programme and ongoing professional services. Depreciation, in-kind and other non-cash expenses are not included in the calculation.

Note - In determining this threshold, reference can be made to the “Survey Report on the Financial Reserves of Social Service Agencies” and the own circumstances of the NGOs.

- 2.1.4 The minimum amount of the operating reserve target will be determined each year after approval of the annual budget by the Finance Committee (“FC”) / Board.

2.2 Other Reserve Funds

Note - Add the following paragraph(s) if applicable:

2.2.1 Lump Sum Grant Reserves

Surpluses arising from activities supported by grants under the Lump Sum Grant (“LSG”) Subvention System are accounted for under LSG reserves, determined in accordance with the requirements of the LSG Manual and Circulars issued by Social Welfare Department.

2.2.2 Building and Capital Asset Reserve

Building and capital asset reserve is intended to provide a ready source of funds for acquisition or repair of buildings, leaseholds, furniture, fixtures and equipment necessary for the operation of the organisation and programmes.

*The target amount of the building and capital asset reserve will be determined with reference to and after approval of the **[NGO]**'s medium-term capital expenditure plan by the FC / Board.*

2.2.3 Development Reserve

Development reserve is intended to provide funds to meet special targets of opportunity or further the mission of the organisation, which may or may not have specific expectation of incremental or long-term increased income. It is also intended as a source of internal funds for organisational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity.

*The target amount of the development reserve will be determined with reference to the **[NGO]**'s medium-term development strategy and plan as approved by the Board.*

3. Accounting for Reserves

- 3.1 The reserve funds will be recorded in the financial statements as Board-designated reserves and maintained in a segregated bank account or an investment account, if permitted under the investment policies of [NGO].

4. Funding of Reserves

- 4.1 The operating reserve will be funded by unrestricted operating surplus. The Board may from time to time direct that a specific source of revenue (such as one time gifts or bequests, special grants, or special appeals) be set aside for operating reserve.

Note - Add the following paragraph(s) if applicable:

- 4.2 *The building and capital assets reserve will be funded by setting aside funds received from specific campaigns or appeals designated to raise funds for this reserve, and / or setting aside annually an equivalent amount of cash equal to a certain percentage of the depreciation charge, or using other appropriate basis, to build up sufficient fund for purchasing new capital assets and replace existing assets at the end of their useful lives.*
- 4.3 *The development reserve will be funded by special occasional fundraising events / activities for the purpose of building this reserve and / or occasional special designations made by the Board.*

5. Maintenance of Target Reserve Level

- 5.1 The agency head, supported by the finance manager / staff, is responsible for ensuring that the reserve funds are properly maintained. Proper records of the use and plan for replenishment should be kept and a report should be provided to the Board on the status of the reserve funds. Appropriate action should be taken, in case there is a significant shortfall, to restore the fund to the target minimum amount.
- 5.2 If the operating reserve falls below [# 90% OR other percentage as approved by the Board] of the target minimum operating reserve level, the finance manager and finance team should report this to the agency head and the Treasurer as soon as possible.

6. Use and Management of Reserve Funds

- 6.1 The agency head and the finance manager / staff are responsible for identifying the need to use the reserve funds and confirm that the use is in compliance with the policy. Formal request in writing to use the reserve should be submitted to the FC / Board together with the analysis and recommendation to use the funds and plans for replenishment.

- 6.2 The authority for use of reserves is delegated to the agency head, who should consult with the Treasurer and / or Chairman of the FC before exercising the authority. The use of reserves should be reported to the Board at the next Board meeting, together with an analysis and determination of the use of funds and plans for replenishment. The agency head must obtain prior approval from the Board if the reserves will take longer than 12 months to replenish.
- 6.3 The Board should review the target and actual reserve level regularly *[# e.g. on an annual basis]* and may make appropriate adjustments according to the changing need of the *[NGO]*.

7. Investing Reserves

- 7.1 Depending on the nature of the reserve funds, the risk preferences and short-term cash needs of the *[NGO]*, the amount of the reserve funds can be held in the form of investment other than cash or cash equivalents to generate additional income. The investment should be made in compliance with a separate investment policy approved by the Board.

8. Review and Amendment

- 8.1 This policy statement may be reviewed and revised at any time, but it must be formally reviewed by the Board at least once in every financial year. No modification may be made without the explicit approval of the Board.
- 8.2 Any discussion and decision in the above regard shall be properly documented in the minutes of the meeting of the Board, and this policy statement shall be updated accordingly.



SECTION III

Resources and Reference Materials

The documents listed below are useful reference related to NGOs' reserves. Organisations working on a reserve policy statement should be familiar with their contents as appropriate:

- (a) Deloitte Advisory (Hong Kong) Limited. *Survey Report on the Financial Reserves of Social Service Agencies*. 2019.
- (b) Hong Kong Institute of Certified Public Accountants. "Governance & Accountability." *CPAs for NGOs: Quick Guide Series*.
- (c) Hong Kong Institute of Certified Public Accountants. "Internal Control & Audit." *CPAs for NGOs: Quick Guide Series*.
- (d) Hong Kong Institute of Certified Public Accountants. "Reserve Policy." *CPAs for NGOs: Quick Guide Series*.
- (e) Independent Commission Against Corruption and The Hong Kong Council of Social Service. *Sample Code of Conduct for Board Members & Staff of Non-Governmental Organisations in Social Welfare Sector (Full Version)*. 2015.
- (f) Inland Revenue Department. *Tax Guide for Charitable Institutions and Trust of a Public Character*. 2021.
- (g) Social Welfare Department. "Use of Lump Sum Grant and Lump Sum Grant Reserve." *Lump Sum Grant Circular*, No. 9/2003.
- (h) Social Welfare Department. *Lump Sum Grant Manual*. 2016.
- (i) The Hong Kong Council of Social Service. *A Concise Guide on NGO Financial Governance and Management*, Second Revision. 2022.
- (j) The Hong Kong Council of Social Service. *A Concise Guide on NGO Investment*, Second Revision. 2022.
- (k) The Hong Kong Council of Social Service and Mayer Brown. *Guidelines on How to Develop a Corporate Governance Manual for Hong Kong NGOs*.

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