



NATIONAL RIFLE ASSOCIATION

RESERVES POLICY

Adopted by Council on 10 December 2022

1. Background

- 1.1.** This Policy should be read in conjunction with Charity Commission Guidance CC19 (*Charity reserves: building resilience*), the latest Risk Analysis and the latest Annual Report of the NRA, which contains further information relevant to the reserves policy of the NRA.
- 1.2.** Charity law requires any income received by a charity to be spent within a reasonable period of receipt and Trustees should be able to justify the holding of income as reserves. A reserves policy should take into account the charity's financial circumstances and other relevant factors. It should demonstrate the charity's resilience and capacity to manage unforeseen financial difficulties.
- 1.3.** This reserves policy is designed to explain to existing and potential funders, donors and other stakeholders the approach the NRA takes to maintaining reserves, to give confidence to stakeholders that the NRA's finances are being managed and provide an indicator of future funding needs. The objective of this policy is to set out what the NRA's aims to achieve through the maintenance of reserves, the planned level of reserves, and the process of reserves monitoring.
- 1.4.** The expression "Reserves" is used to describe that part of the income and funds of the NRA that is freely available for its operating purposes and not subject to commitments, planned expenditure and spending limits. Reserves do not include endowment funds, restricted funds, designated funds tangible fixed assets such as land and buildings, programme-related investments held solely to further the NRA's purposes and commitments that have not been provided for as a liability in the accounts. Reserves is not the same as cash-at-bank.
- 1.5.** This policy is published on the NRA website and referred to in each Annual Report.

2. Factors influencing Reserve levels

- 2.1.** The NRA derives income from four sources: rental income from its real estate holdings, membership subscriptions, competition income and gift aid distributions by The National Shooting Centre Limited (the "Subsidiary"). Rental income has shown a steady increase over recent years, reflecting increasing demand for properties at Bisley Camp. Membership subscriptions have been relatively stable over previous years and are not considered vulnerable to sudden decline. Distributions from the Subsidiary depend on the financial performance of its range operating business and thus there is a risk from commercial volatility.
- 2.2.** The NRA does not operate a defined benefit pension scheme.
- 2.3.** The Subsidiary distributes its profits to the NRA. The net assets of the Subsidiary (allowing for the annual gift it makes to the NRA) are taken into account when considering the level of reserves the NRA should maintain as demonstrated by the consolidated accounts of the group.
- 2.4.** NRA is not dependent on grant funding from the Government. Income from providing range services to the military has been stable over recent years.

- 2.5.** The fixed assets of the NRA consist mainly of land and are illiquid. While liquidation of other fixed assets may provide some funding to meet short term needs, it is not part of the liquidity planning of the NRA.
- 2.6.** The relatively stable and predictable income of the NRA reduces the need for it to maintain Reserves. The key items of variable income are membership subscriptions and distributions from the Subsidiary. A significant amount of membership subscriptions is committed through direct debits. The NRA is not reliant on any particular donor or donor group.
- 2.7.** The NRA has no direct exposure to exchange rate risk.
- 2.8.** The NRA has an endowment fund and the income from that fund is used to provide prize money for competitions. The Trustees do not currently take the capital of that endowment fund into account in considering the sources of money available to meet the cash needs of the NRA.
- 2.9.** The NRA has a restricted fund established to make grants to competitors in overseas shooting competitions and an endowment fund for prize money in competitions. The Trustees do not take them into account in determining the need for reserves.
- 2.10.** The NRA has an overdraft facility with Barclays Bank plc (the "Overdraft") on which it can draw to provide funding in response to unplanned demands on its resources. The Overdraft is secured on the freehold estate of the NRA and reflects the significant fixed asset value of the charity. The Overdraft is repayable on demand and can be withdrawn at any time. The risk of this is mitigated by maintaining financial resilience independently of the Overdraft.
- 2.11.** The material credit risk to the NRA would be a failure of its bankers. This would be unlikely to result in a complete loss of funds on deposit but there would be a significant impact on short-term liquidity. The Trustees consider the risk of a credit failure of our bankers as extremely unlikely.
- 2.12.** The NRA, under normal operating conditions, has strategic liquidity aims that support the Reserves. These consist of maintaining cash-at-bank of £250,000 and an acid test floor of 1x. The acid test floor of 1x has been selected as it provides a useful test of the liquidity position of the NRA and its ability to pay debts as and when they fall due. The cash-at-bank liquidity has been selected to support the ability of the NRA to acquire a strategic asset such as a rifle range, which often come on to the market at short notice. The figure also provides a short-term buffer against downturns in income, and a means of meeting unplanned expenses, based on previous experience of the NRA.
- 2.13.** The NRA is exposed to the risk of the unplanned closure of the operations of the Subsidiary, which would reduce the distributions made by the Subsidiary and its ability to pay amounts contractually due to the NRA. Unplanned spending can also arise in relation to dispute resolution and other matters identified in the Key Risk Register. The Budget for each year will contain a provision for funding such spending, and the Going Concern Scenarios prepared for each annual audit also provide an opportunity to incorporate appropriate resilience in the financial planning of the NRA.
- 2.14.** The NRA can reduce expenditure in the short term by suspending capital expenditure and cutting headcount. The NRA does not enter into unfunded capital spending plans. The

NRA has a significant degree of flexibility in the timing of capital expenditure because of the nature of its assets. There are no material projects or capital spending plans that cannot be met from anticipated future income. The Trustees exercise control over capital expenditure through the budget approval process and have the power to suspend capital expenditure at any time.

- 2.15. The Trustees are conscious of the need to balance the fact that too little reserves may leave the NRA vulnerable to financial stress while too high reserves reduce the ability of the NRA to carry out its charitable purposes.
- 2.16. The Trustees have put in place a system of financial management to facilitate the monitoring of the financial health of the NRA. This includes monthly financial reporting packs, financial updates at each Trustee meeting, and an annual audit. The Trustees do not use credit facilities for investment or growth and prefer to fund capital expenditure from revenue rather than borrowings.
- 2.17. The recovery from financial stress encountered by the NRA will involve a combination of on-going cost control, restricted capital expenditure and development by the Subsidiary of new areas of business. The NRA does not engage in fundraising activities.
- 2.18. The major fixed assets of the NRA are its land-holdings, consisting of approximately 99 acres of freehold land and 3,500 acres of leasehold land. Much of the freehold land is subject to existing leases. The Trustees do not consider that selling any of that land to generate funds, with the NRA moving to different accommodation is realistic or appropriate.
- 2.19. The need to build reserves and the finance projects and capital expenditure is taken into account in setting budgets and in formulating the going concern scenarios for each annual audit.

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- 2.20. The Trustees do not consider it necessary to have a mandated positive Reserve policy having regard to the following factors:
 - 2.20.1. the financing available through the Overdraft;
 - 2.20.2. that membership subscriptions and advance rentals represent significant sources of prepaid cash;
 - 2.20.3. that subscriptions and rentals have been relatively static over recent years and are not expected to be adversely affected by identified risk factors;
 - 2.20.4. that there are sufficient free funds to allow the charity to continue to operate without the need for positive reserves; and
 - 2.20.5. the NRA has a manageable level of fixed costs and can limit variable costs in response to financial stress.
- 2.21. The existing negative Reserve position is likely to continue for the foreseeable future but the long-term objectives of the Trustees is to restore a positive Reserve position.

- 2.22.** The Trustees consider that in normal operating conditions the Group should maintain a net positive cash position of at least £250,000 in lieu of free Reserves. This amount is not ring-fenced. The reserves target will be reviewed in light of:
- 2.22.1. the prevailing forecasts for income and expenditure;
 - 2.22.2. opportunities identified by the Trustees for future expenditure in pursuit of charitable objectives; and
 - 2.22.3. the likelihood of shortfalls in income and the effect of that shortfall on reserves.
- 2.23.** The Trustees have not developed a strategy for the orderly wind-down of the NRA as there is no expectation that the NRA will need to be wound-up in the foreseeable future.
- 2.24.** Reserves are reported monthly in the management reports of the NRA, which are circulated to all Trustees. Business plans will be set with the intention of maintain reserves around the target range in the medium to long term. Short term operational issues and financial stress may mean that reserves fall outside of the target range, but management is expected to calibrate business activities across the medium term such that reserves are maintained within range.
- 2.25.** The Trustees will review the reputational risk of holding surplus funds in reserve as and when that becomes an option for the NRA.

3. Monitoring and Review of the Reserve Policy

- 4.1 The key performance indicators in the monthly financial reports circulated to Trustees includes information concerning the financial and other risks facing the charity. The Trustees review the effectiveness of the Reserves Policy at the last Council meeting held in each year and from time to time as needed in light of circumstances.