

THE NATIONAL GALLERY

RESERVES RISK MANAGEMENT STATEMENT

Reserves Risk Management Statement March 2012

Policy owner: Head of Finance

Introduction

The Gallery holds reserves that represent funds held on trust for specific purposes, including permanent endowments, and general funds held to meet working capital needs and provide for unforeseen events.

Risks

The risks attaching to ineffective management of reserves include:

- Insufficient reserves to meet commitments as they fall due;
- Insufficient reserves to provide for unforeseen events;
- Non-compliance with legislation, including trust law;
- Fraud or financial loss;
- Incomplete records of funds;
- Reputational damage arising from the above.

Policy

The Gallery should seek to maintain unrestricted general funds not committed or invested in tangible fixed assets at a level equivalent to six-months' worth of non-guaranteed (i.e. non-contractual) income, as a safeguard against volatile and unpredictable income streams.

However, given that grant-in-aid is not drawn down in advance of need and that significant funds may be required for picture purchases, the level of unrestricted general funds may exceed this level at any point in time.

Grant-in-aid should not be held in reserves and will therefore normally be expended in the month it is received.

Restricted funds represent funds held for specific purposes as specified by the donor. These are separately recorded and invested until they can be expended in accordance with the restriction in place. Some restricted funds are held for the long-term due to the nature of the restriction.

Permanent endowments represent funds that cannot be expended. These are separately recorded and invested for the long-term in accordance with the investment policy.

The reserves policy is reviewed by the Audit Committee annually and where appropriate changes are made to reflect likely funding requirements in the coming year.

Responsibilities

The Audit Committee is responsible for setting an appropriate level of unrestricted general funds to meet the Gallery's likely operating needs. The Audit Committee is responsible for reviewing the reserves policy annually.

The Head of Finance is responsible for maintaining accurate records of restricted funds and permanent endowments, and ensuring that any expenditure of restricted funds is in accordance with the conditions attached to the fund. The Head of Finance is responsible for ensuring the level of unrestricted general funds is consistent with the target established by the Audit Committee.