



THE FACULTY OFFICE OF THE ARCHBISHOP OF CANTERBURY

RESERVES POLICY: Operating Reserve (Regulatory)

Background

The Faculty Office of the Archbishop of Canterbury (the Faculty Office) is a Company Limited by Guarantee registered in England & Wales (company no. 12221896). The Board of Directors is comprised of The Master of the Faculties (Morag Ellis QC), the Registrar (Howard Dellar), the Deputy Registrar (Ian Blaney) and the Chief Clerk (Neil Turpin). The Master of the Faculties is the sole Member of the company and the ultimate controlling party. The Master has appointed an Audit Committee comprising independent members to review the governance of the Faculty Office and in particular the financial oversight.

Purpose

The Faculty Office has various functions which need resourcing, but this policy covers its regulatory role in relation to public notaries only and the income and expenditure attributable to that which are separately accounted for. The purpose of the Operating Reserve Policy for the Faculty Office is to ensure the stability of the mission, initiatives, employment, and ongoing operations of the organisation as it relates to public notaries within the Permitted Purposes pursuant to Section 51(2) of the Legal Services Act 2007. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the Faculty Office for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Policy will be implemented in concert with the other governance and financial arrangements of Faculty Office and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Definitions and Goals

The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors at the Direction of the Master of the Faculties. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to six months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, initiatives, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses one-time or unusual expenses and capital purchases. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Master's Audit Committee and the Board of Directors, and included in the regular financial reports.

Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as the **Faculty Office Operating Reserve**. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be commingled with the general cash and investment accounts of the **Faculty Office**.

Funding of Reserves

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves.

Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The Registrar and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

2. Authority to use operating reserves

The Registrar will submit a request to use Operating Reserves to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The **Faculty Office's** goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Board of Directors will approve or modify the request and authorize transfer from the fund.

3. Reporting and monitoring.

The Registrar is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Finance Officer will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Board of Directors and the Audit Committee of progress to restore the Fund to the target minimum amount.

Review of Policy

This Policy will be reviewed every other year, at minimum, by the Master's Audit Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Master's Audit Committee to the Board of Directors.

This policy was last reviewed on: 17 June 2024