u3a
Petersfield
Charity No. 1060354

POLICY: RESERVES, SURPLUSES and DEFICITS

1 INTRODUCTION

Petersfield u3a needs financial reserves to ensure the stability of the organisation and its on-going activities. Equally, Petersfield u3a must avoid (i) funds deficits that may place Petersfield u3a at risk, and (ii) the build-up of excess funds where there is not a reasonable expectation that such funds can be used in pursuing our charity's objectives. This document sets out Petersfield u3a's policy in respect of these matters.

2 DEFINITIONS

Term	Definition
Contingency Reserve	These are funds used to address the requirements of unexpected events and/or expenses. The 2020-2022 pandemic is an example.
Cashflow Reserve	These are situations where our u3a has to pay a bill before the money to cover the expense has been received. For example, pre-paying for accommodation or transport.
Commitment Reserve	These are funds that are put aside for a future requirement. For example, a project that will require significant capital expenditure that cannot be funded from normal operating income.
Conservation Reserve	These are funds that have been accumulated that our u3a Trustees cannot spend immediately without compromising their responsibility to ensure that funds are used in fulfilment of our u3a's charitable objectives. These funds are conserved by Trustees until they can be used. See also Surplus Funds
Closure Reserve	These are funds that the trustees may set aside to meet obligations if our u3a becomes unsustainable and has to be wound up.
Financial Year	The u3a financial year, being from September 1 to August 31.
Operating Costs	The amount of money spent in a full Financial Year by our u3a, excluding the expenditure of Restricted Funds.
Reserve Deficit	This is calculated in terms of paragraph 2 of Section 3, 'Policy' and is the difference between the amount of Total Reserves deemed prudent by the Trustees and the amount of funds available for Total Reserves, where the difference is a shortfall.
Restricted Funds	These are funds that can be used only for a specific purpose. Examples are (i) funds bequeathed by a deceased member that are to be used only to encourage language learning; and (ii) funds for self-funding activities such as interest group costs, outings, holidays and theatre bookings and the like.
Surplus Funds	Surplus Funds are calculated in terms of paragraph 2 of Section 3, 'Policy' and, like Conservation Reserves, are funds that have been accumulated. In this instance, our u3a Trustees reasonably believe there is no prospect of the funds being used in the next four years.
Total Reserves	The combined value of the Contingency Reserve, Cashflow Reserve. Commitment Reserve, Conservation Reserve, and Closure Reserve.
Trustees	The appointed trustees of the Petersfield u3a charitable trust, Charity number 1060354.

3 POLICY

1. Preceding the commencement of each Financial Year, the Trustees will consider in respect of the next four Financial Years:

1.1 probable income and expenditure (excluding income and expenditure in respect of Restricted Funds); and

1.2 our u3a's need for reserves. In this, they will consider need for Contingency Reserve, Cashflow Reserve, Commitment Reserve, Conservation Reserve and Closure Reserve, together the Total Reserves. The Total Reserves amount may not be less than the estimated value of the next Financial Year's' Operating Costs.

2. Where the amount of funds (excluding Restricted Funds) held by our u3a at the Financial Year's end minus the Total Reserves provision calculated in terms of 1.2 above is:

2.1 a positive value, such value will be Surplus Funds; and

2.2 a negative value, such value will be Reserve Deficit.

3. Where there are Surplus Funds, the Trustees will implement a plan that aims to reduce the Surplus Funds to nil in a period not exceeding the next five Financial Years. The plan may include a reduction of Membership Fees.

4. Where there is a Reserve Deficit, the Trustees will implement a plan that will reduce Reserve Deficit to nil in a period not exceeding the next two Financial Years. The plan may include an increase of Membership Fees.

4 DOCUMENT CONTROL

4.1 Description

Name	Reserves, Surpluses and Deficits		
Responsible	Treasurer	**Maintained by**	Secretary
Review interval	24 months		
File name	Policy: Reserves, Surpluses and Deficits v [version number][yyyymmdd]		
File location	Teams/MC/General/Policies and Procedures		

4.2 Version Control

Version Number	Issue Date	Modification	Purpose	Approved by Management Commitee
v1.1A	2025 03 13	Minor revisions	Draft for review.	
v1.1B	2025 05 14	Minor revisions	Reflects changes agreed by review group.	2025-05-14