WETHERBY TOWN COUNCIL

RESERVES & INVESTMENT POLICY
2026/27 FINANCIAL YEAR
Reviewed on 12th May 2026 by
Budgets & Governance Committee & Full Council

CONTENTS

Reserves Policy 2
1. Introduction 2
2. Types of Reserves 2
3. Earmarked Reserves 2
4. General Reserves 3
5. Level of Financial Reserves 3

Investment Policy 6
6. Introduction 6
7. Objectives 6
8. Investments 7
9 Investment Strategy 7
10. Approved Institutions 8

Reserves Policy

1. Introduction

1.1 Wetherby Town Council acknowledges the importance of prudently investing in the temporary surplus funds held on behalf of the community is required to maintain adequate financial reserves to meet the needs of the organisation.

1.2 This policy complies with the revised requirements set out in the Department of Communities and Local Governance Guidance on Local Government investments and considers section 15 (1) (A) Of the Local Government Act 2003. The Governance and Accountability for Smaller Authorities in England, A Practitioners' Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements

1.3 The Local Government Act 2003 (section 12) states that the local authority may invest: -

- for any purpose relevant to its functions under any enactment.
- for the purposes of the prudent management of its financial affairs.

2.

2.1 The purpose of this policy is to set out how the Council will determine and review the level of reserves that it holds.

3. Types of Reserves

3.1 Reserves can be categorised as general or earmarked.

3.2 Earmarked reserves can be held for several reasons:

3.2.1 Renewals – to enable services to plan and finance an effective programme of vehicle, equipment and infrastructure replacement and planned property maintenance. These reserves are a mechanism to smooth expenditure so that a sensible replacement programme can be achieved without the need to vary budgets.

3.2.2 Carry forward of underspend - some services commit expenditure to projects but cannot spend the budget in year. Reserves are used as a mechanism to carry forward these resources.

3.2.3 Insurance reserve – to enable the Council to meet the excesses of claims not covered by insurance.

3.2.4 Other earmarked reserves may be set up from time to time to meet known or predicted liabilities.

3.3 General Reserves are funds which do not have any restrictions as to their use. These reserves can be used to smooth the impact of uneven cash flows, offset the budget requirement if necessary or can be held in case of unexpected events or emergencies.

4. Earmarked Reserves

4.1 Earmarked reserves will be established on a "needs" basis, in line with anticipated requirements.

4.2 Any decision to set up a reserve will be made by Full Council or the Budgets & Governance Committee.

4.3 Expenditure from reserves can only be authorised by the Council, or by a Committee with relevant delegated authority.

4.4 Reserves should not be held to fund on-going expenditure. This would be unsustainable as, at some point, the reserves would be exhausted. To the extent that reserves are used to meet short term funding gaps, they must be replenished in the following year. However, earmarked reserves that have been used to meet a specific liability would not need to be replenished, having served the purpose for which they were originally established.

4.5 All Earmarked Reserves are recorded on a central schedule held by the Responsible Financial Officer which lists the various Earmarked Reserves and the purpose for which they are held. This is presented to Councillors at least once per year as part of the annual financial statements.

4.6 Reviewing the Council's Financial Risk Assessment is part of the budgeting and year end accounting procedures and identifies planned and unplanned expenditure items and therefore informs the appropriate level of Reserves.

4.7 At the time of reviewing up this policy Wetherby Town Council has the following, standing approvals in place for the earmarking of receipts:
- Proceeds from the sale of Walking in Wetherby booklets.
- CIL funds.

4.8 On 31st March 2026 Wetherby Town Council had earmarked reserves totalling £269,684.79. check

5. General Reserves

5.1 The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been consumed in the previous year.

5.2 The Council must build and maintain sufficient working balances to cover the key risks it faces, as expressed in its financial risk assessment.

5.3 If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Council would be able to draw down from its earmarked reserves to provide short term resources.

5.4 Even at times when extreme pressure is put on the Council's finances the Council must keep a minimum balance sufficient to pay three months salaries to staff and running costs in General Reserves at all times.

6. Level of Financial Reserves

6.1 Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

6.2 Governance and Accountability March 2025 states that:

"In practice, any authority with an NRE[1] in excess of £200,000 should plan on 3 months equivalent General Reserve."

[1] NRE = Net Revenue Expenditure (subject to any planned surplus or deficit) is effectively precept\Levy less any Loan Repayment and/or amounts included in Precept\Levy for Capital Projects and transfers to Earmarked Reserves.

6.3 For Wetherby Town Council this figure is ***£127,935.25*** in the 2024/25 financial year, made up as follows:

	2026/27 Precept	£654419
Less:	PWLB Repayments	-£22,800
	Election Expenses Fund	-£13000
	Divided by 4 to give 3 month equivalent:	£163605

6.4 On 31st March 2026 the level of General Reserves held on the Council's balance sheet stood at £193,421.89 and had returned to a healthy level in the context of this policy.

6.5 The level of financial reserves held by the Council will be monitored by the Council's Budget & Governance Committee.

Investment Policy

7. Introduction

7.1 This policy sets out the treasury management procedures for the monitoring of the cash flow and banking arrangements of Wetherby Town Council.

7.2 The Council defines its treasury management activities as 'the management of the Council's cash flows, its banking and money market transactions, the effective control of the risks associated with those activities, and the pursuit of best value performance consistent with those risks".

7.3 This policy complies with the revised requirements set out in the Department of Communities and Local Government Guidance on Local Government Investments and takes into account Section 15(1)(a) of the Local Government Act 2003 and guidance within Governance and Accountability for Local Councils Practitioners Guide 2020.

7.4 Parish Councils have the power to invest surplus funds and the Local Government Act 2003 states that a local authority may invest:

a) For any purpose relevant to its functions under any enactment.
b) For the purpose of prudent management of its financial affairs.

7.5 Wetherby Town Council acknowledges its duty of care to the community and the prudent management and investment of its funds.

7.6 This policy should be read in conjunction with the Council's current Financial Regulations.

7. Objectives

7.1 The Council's priorities are, in the following ranking order:

i. The security of capital to minimise the risk of losses
ii. The liquidity of investments to meet the cash flow needs of the Council
iii. Maximising income within the framework of the national economic situation.

7.2 The Council will aim to achieve a high rate of return on investments commensurate with adequate safeguards of security and liquidity.

7.3 The borrowing of money purely to invest or to lend and make a return is not allowed and the Council will not engage in such activity.

7.4 The Council will monitor the risk of loss on investments by review of credit ratings on a regular basis – at least once per financial year. The Council will only invest in institutions of high credit quality – based on information from credit rating agencies (as defined in 10.1 below).
Investments will be spread over different providers to minimise risk. Wetherby Town Council does not benefit from FSCS protection.

8. Investments

Definition of an Investment

8.1 The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

Specified Investments

8.2 Specified investments are those offering high security and high liquidity, made in sterling and with a maturity of no more than a year. Such short-term investments made with the UK Government or a Local Authority (as defined) or a Town/Parish Council will automatically be Specified Investments.

8.3 The Council, for prudent management of its treasury balances may use:
a) Treasury Deposits[2] with UK clearing banks
b) Local Authorities or other Public Authorities approved public sector investment funds.

8.4 The choice of institution and length of deposit will be at the approval of the Budgets & Governance Committee, in consultation with the Responsible Financial Officer (RFO).

8.5 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

Non-Specified Investments

8.6 A non-specified investment are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally be a physical asset that can be realised to recoup the capital invested.

8.7 These investments have greater potential risk – examples include investment in the money market, stocks and shares. Given the unpredictability and uncertainty surrounding such investments the Council will not use this type of investment.

Liquidity of Investments

8.8 The Budgets & Governance Committee, in consultation with the Responsible Financial Officer (RFO), will determine the maximum periods for which funds may prudently be committed so as not to compromise liquidity.

8.9 Investments will be regarded as commencing on the date the commitment to invest is entered into rather than the date on which the funds are paid over to the counterparty.

Long Term Investments

8.10 Long term investments are defined in Governance and Accountability March 2020 have a maturity of 12 months or more.

8.11 The Council does not currently hold any funds in long term investments.

9 Investment Strategy

9.1 The day-to-day banking will remain with Unity Trust Bank for the time being.

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[2] Treasury Deposits are money market deposits that offer fixed rates of return over an agreed period.

9.2 The surplus income from investing in high interest accounts to be re invested into the community via the grants process.

9.3 The intention is to retain up to three month's operating cash in the current account, drawing from the linked deposit account in the same bank.

9.4 The aim of this strategy is to spread the risk amongst institutions to retain as much FSCS protection as possible. Spreading the risk by maximising use of the state backed guarantee may not always result in the biggest returns but does serve to protect public funds.

9.5 Other investments from the Council's General and Earmarked Reserves will be split between banks and institutions approved by Full Council, upon recommendation by the Budgets & Governance Committee from time to time.

9.6 Investment movements will be carried out between approved organisations by the RFO in accordance with the investment objectives and decisions take by Full Council and the Budgets & Governance Committee.

9.7 The Council will avoid capitalisation restrictions and will not enter into investments such as where the purchase of company shares is undertaken or where more than £10,000 is received from the sale of shares.

10. Approved Institutions

10.1 Credit Ratings

The Town Council will only make investments with institutions who hold the following credit rating scores:

10.1.1 Moody's

- Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk
- A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk

10.1.2 Fitch

- AA Very high credit quality - 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
- A High credit quality - 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
- BBB Good credit quality - 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

10.1.3 Standard & Poor's

AA An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.

A An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

BBB An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

10.2 Currently Approved banks (and subsidiaries thereof):

- Lloyds Banking Group
- TSB Barclays
- HSBC
- Royal Bank of Scotland (RBS)
- NatWest
- Ulster Bank
- Coutts & Co
- Santander UK
- The Co-operative Bank
- Bank of Ireland UK
- Clydesdale Bank PLC
- Sainsbury's Bank
- Tesco Bank
- Virgin Money

10.2 Building societies:

- Nationwide BS
- Yorkshire BS
- Coventry BS
- Skipton BS
- MHBS

10.3 Other approved funds:

- CCLA Public Sector Deposit Fund
- Other Government Schemes and Bonds of short-term liquidity (not more than one year)

This Reserves & Investment Policy was prepared by Dianne Rickaby, Clerk and RFO to the Town Council.

Signature Redacted.
Original can be viewed in the Town Council offices, Wetherby Town Hall.

Signed: ....

Dated: ..... 12/5/26 .....

This Reserves & Investment Policy was adopted by the Town Council at its meeting held on 12th May

Signature Redacted.
Original can be viewed in the Town Council offices, Wetherby Town Hall.

Signed:

Councillor Connor Mulhall, Mayor of Wetherby

Dated: ..... 12/05/2026 .....