

Full Council

8 June 2026

Updated Earmarked Reserves

Purpose of Report

To enable Council to **RESOLVE** an updated list of Earmarked Reserves (EMR) June 2026.

Recommendation:

Committee is asked to **RESOLVE** a list of Earmarked Reserves June 26;

Background:

1. Council approved its Earmarked Reserves (EMR) at Full Council June 2025; [195717-Minutes 9.6.25.pdf](#) (25/62) • Dowell Street corner £50,000 • Sports Pitches £15,000 • Youth Council £5,000 • Election expenses £7,242.
2. Council has agreed to spend £15k EMR for sports: January 2026 25/217 (b).
3. The Reserves at end March 2024 were £145k which were EMR for CIL and as an operating Reserves. Reserves on 31 March 2025 were £303,452.
4. This report presents the current Reserves and highlights and addresses why the EMR should be updated.
5. There was a significant increase in Reserves from £145k 23/24 to £303k 24/25. The increase in Reserves 24/25 was due to underspends most notably Election Expenses, High St Regeneration, Health & Wellbeing, Honiton Sports, Dowell St corner, Bus Shelters, Roundball Wood, Youth Council and Public Noticeboards.
6. Council's must Earmark CIL local contributions. A significant amount of Honiton's £27.5k CIL was spent on design and construction at Clapper Lane. At end March 2025 CIL was £6,263. A tally with EDDC's records Honiton's available CIL is now (31 March 2026) £7,521.
7. Whilst £303k was the amount held in Reserves 31 March 2025, it provides EMR of circa £297k (£303.4k-£6.2k CIL) for 3-6 months running costs. At a Precept of £595k 24/25, the "rule of thumb" 3-6 months' operating costs were approximately £149k – £298k; therefore at £297k current running reserves were insufficient for 6 months. Likewise £303k may be (dependent upon spend/income) the amount held in Reserves 31 March 2026, it provides EMR of circa £219k (£303.4k-EMR) for 3-6 months running costs. At a Precept of £667k 25/26, the "rule of thumb" 3-6 months' operating costs are approximately

£167k – £334k; therefore at £219k running reserves were insufficient for 6 months. Reserves should be bolstered and were increased by underspends in 25/26 and by £115k in the 26/27 budget.

8. Significant risks were the cost and reputational risk of lease of Beehive ending September 2025 (long term lease now entered), challenge to the AGAR 23/24 and AGAR 24/25 (External Audit has investigated both challenges and concluded no further action needed) and Dowell Street retaining wall (now Tendered and Contract awarded).
9. Council considered how it can increase its Reserves eg spend less of the 25/26 budget so that underspends bolster Reserves at end 25/26.
10. Full Council May 2026 Decided to Earmark £10k for Election expenses and £5k for Youth Council.
11. Full Council May 2026 has Decided to Earmark £10k for Election Expenses 26/27, which may exceed the £10k budget. All out Elections will be in April 2027, so further Elections before April 27 are unlikely but recent experience suggest a high turnover of Councillors and hence possible Elections. Election Expenses were budgeted at £10k 25/26 with actual end of year overspend at £20,518 due to recent Elections.
12. Some EMR has been spent 25/26 and will be brought forward into the 26/27 account at £15k sports (already approved to be reallocated: Full Council January 2026 25/217 (b)) in addition to the £7.2k Elections.
13. The Council's budget 26/27 includes £115k to increase Reserves. Without any underspend 26/27 and all EMR being spent, the Reserve 31 March 2027 may be expected to increase. The 26/27 Precept is £1,000,645, so 3-6 months Precept equates to £250k-£500k.
14. The Council should not expose itself to additional risks.

Report:

15. Council may Decide to allocate 25/26 underspend as EMR, and not bolstering Reserves available for the “rule of thumb” minimum requirement. This should be avoided or at least minimised, so that Reserves are increased.
16. The following amounts have been included in the budget 26/27 and not in Reserves, so cannot and do not need to be Earmarked (but maybe Earmarked in future if underspent).
 - a. £10k OPCC CCTV Grant (not yet received)
 - b. £120k Legal fees for LGR (included in budget 26/27 and may be Earmarked in future if not spent)

- c. £10k HR fees for LGR (included in budget 26/27 and may be Earmarked in future if not spent)
- d. Youth Council £5k in budget 26/27
- e. £2k Recruitment costs (included in budget 26/27)
- f. £10k CCTV replacement/extension of the £15k budget 26/27
- g. £10k Elections in budget 26/27
- h. £15k budget 26/27 for Beehive Maintenance
- i. Dowell St wall £20k is included in budget 26/27

17. Nevertheless, Officers suggest that EMRs may be:

- a. £7.5k CIL
- b. £5k Youth Council (from underspend 25/26) – already EMR, Full Council May 26
- c. £10k Elections expenses – already EMR, Full Council May 26
- d. £8.7k Beehive Maintenance (from underspend 25/26)
- e. £75k Dowell St wall (currently £50k), to be £50k+£25k (£20k new EMR and £5k EMR from underspend 25/26)
- f. £5k New website (from underspend 25/26)

£111.2k total

18. The Clerk/RFO vacancy from end June 2026 will have cost implications, eg hiring a locum officer and recruitment costs. These cost may be contained within the 26/27 staff salary budget and recruitment costs budget, so an EMR may not be drawn upon. The costs situation will be monitored. Nevertheless F&P Committee 27 May 26 Recommends an EMR of £30k for temporary support staff.

19. F&P Committee 27 May 2026 agreed to drawn down of £7.2k for overspend on Election costs 25/26.

20. F&P Committee also agreed to Recommend to Full Council that a further £25k be EMR for Dowell Street wall ie making a total EMR for Dowell St wall of £75k plus £20k which is included in the budget 26/27.

21. If approved by Full Council EMR become:

- a. £5k Youth Council (from underspend 25/26) – already EMR, Full Council May 26
- b. £10k Elections expenses – already EMR, Full Council May 26
- c. £75k Dowell St wall (currently £50k), to be £50k+£25k (£20k new EMR and £5k EMR from underspend 25/26)
- d. £30k EMR for temporary employment of support

22. It is suggested that Full Council also add EMR for the following:

- a. £7.5k CIL

- b. £8.7k Beehive Maintenance (from underspend 25/26)
 - c. £5k New website (from underspend 25/26).
23. That total £112.2k EMR is a significant sum from the provisional end of year closedown £371k (25/26) and leaves little available for general reserves: £244.8k.
24. The Corporate Risk Assessment and Statement of Internal Control (Significant Risks) (May 2026) highlight this financial risk and the risks (costs, community and reputational) that HCC may have ended its lease of the Beehive before September 2025 (that risk is resolved now as a new long term lease is signed), Dowell St retaining wall (at Contract) and challenge to AGAR 23/24 and 24/25 (no further action).
25. The 26/27 Precept is £1,000,645, so 3-6 months Precept equates to £250k-£500k. Reserves have increased at end March 2026 to £371k (provisional – subject to Audit). Reserves are planned to be further bolstered by £115k by end March 2027 to £486k (assuming no underspend of budget).
26. At £486k Reserves are just less than 6 months' Precept but more than 3 months' Precept. If EMRs (above) are agreed at £111.2k, available Reserves become £375k ie more than 3 months' Precept and less than 6 months' Precept.

Name: Stephen Hill
Post: Town Clerk
Month year: 2 June 2026

List of Earmarked Reserves

Title	31 March 2025 £	31 March 2026 £ (provisional end of year closedown)	31 March 2027 £ (assuming no underspend, all EMR spent)	Spend Ref.	Comments
Precept	595,225 (24/25)	667,545 (25/26)	1,000,645 (26/27)		
3 months	148,806	166,886	250,161		
6 months	297,612	333,772	500,322		
3-6 months Running Reserve	297,189	286,237	486,000		
Election Expenses	0	7,242 (spent – to be reassigned)		F&P Cttee 27 May 26	Allocated June 25
Sports		15,000 (spent – to be reassigned)		Full Council January 2026 25/217 (b).	Allocated June 25
Dowell St wall	0	50,000 (in Contract)			Allocated June 25 At Tender stage
Youth Council	0	5,000			Allocated June 25
CIL	6,263	7,521			Allocated June 25
Total	£303,452	£371,000	£486,000 (371,000+115,000)		