

# April Full Council 2026

## Item 8 - Earmarked Reserves and Year End Financial Position 2025/26

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### 1. Purpose of the Report

To provide members with an overview of the Council's current Earmarked Reserves (EMR), the anticipated year-end financial position for 2025/26, and proposals to transfer funds from General Reserves to both existing and new EMRs.

The Committee is asked to consider these proposals and make recommendations to Full Council for approval as part of the year-end financial process.

### 2. Background – Council Reserves

Local councils normally maintain two types of reserves, and our policy position is outlined below:

#### General Reserves

General Reserves are funds that are not allocated to any specific purpose. They provide the Council with financial resilience and flexibility to respond to unexpected costs, emergencies, or fluctuations in income.

The primary means of building General Reserves will be through a reallocation of funds (underspend on a completed project) and allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves which have been spent in the previous year. If in extreme circumstances General Reserves were exhausted due to major unforeseen spending pressures within a particular financial year, the Town Council would be able to draw down from its EMRs to provide short term resources. Totnes Town Council has set a reserve of a minimum of three to six months' operational costs. As Clerk I would estimate a figure of £250,000 would be prudent to cover this.

#### Earmarked Reserves (EMR)

EMRs must be held for genuine and intended purposes and their level should be subject to annual review and justification. They should be separately identified to prevent query from internal and external auditors.

EMRs are held for several reasons and shall only be used for the purpose for which they were created:

- Renewals – to enable the planning and financing of an effective program of equipment replacement and property maintenance/refurbishment. The funds required are built up incrementally over several years when considering asset conditions and asset life. They are a mechanism to smooth expenditure without the need to vary budgets.
- Carry forward of underspend on an uncompleted project – expenditure committed to a project but not spent in the budget year. Reserves can be used as a mechanism to carry forward those resources.
- Developers Contributions – proceeds from developers which can only be used for specified purposes.
- Other Earmarked Reserves – these may be set up from time to time to meet known or predicted liabilities or risks.

Where the purpose of an Earmarked Reserve becomes obsolete, or where there is an over-provision of funds, the excess may, on the approval of the Town Council, be transferred to other budget headings within the revenue budget, to General Reserves or to one or more other Earmarked Reserves.

EMRs will be established on a “needs” basis in line with anticipated requirements and these are to be reviewed annually.

Any decision to set up an EMR must be approved by Full Council. If the EMRs are used to meet short term funding gaps, they must be replenished in the following financial year. However, EMRs which have been used to meet a specific liability would not need to be replenished, after having served the purpose for which they were originally set up (for example the Community Facilities EMR having contributed to the Skate Park).

The definition of earmarked reserves are reserves that are planned and designated for particular projects, risks, or commitments. The Practitioners' Guide 2025 states that Earmarked Reserves should be held for genuine and identifiable purposes and projects.

### 3. Current Position – Earmarked Reserves

At present the Council holds the following earmarked reserves:

Green Travel & S106 monies – £5,993  
 Van Replacement – £20,000  
 Council Website – £8,000  
 Christmas Lights – £30,000  
 Civic Funeral – £1,000  
 Emergency Capital Repairs – £100,000  
 Community Facilities – £15,000  
 Devolution / Transfer of Assets – £50,000  
Total EMR: £229,993

These reserves support a range of operational and strategic needs, including asset maintenance, future capital expenditure, and specific projects previously approved by Council.

### 4. Proposed Earmarked Reserves for 2026/27

Adding £81,000 total to EMR as outlined below (some reductions in existing lines)

<u>Review of EMR</u>	2025/26 EMR	Original proposals	Council Matters 9 <sup>th</sup> March recommendation	Detail/comments
Green Travel & S106 monies	5993	5993	5993	Earmarked monies from Baltic Wharf
Van Replacement	20000	20000	20000	Existing EMR
Council Websites	8000	15000	15000	New EMR for upgrading both the Town Council and Visit Totnes websites.
Christmas Lights	30000	35000	35000	Existing EMR, added £5k from underspend
Civic Funeral	1000	1000	1000	Existing EMR
Emergency Capital Repairs	100000	100000	140000	Existing EMR, added £40k from underspend for known asset work required and to protect against unexpected remedial works.
Community Facilities	15000	15000	0	Suggested removal of this budget as £15,000 is insufficient for community facility projects
Devolution Transfer of Assets	50000	50000	50000	Existing EMR for localism/LGR work and possible reactive spend outside of budget setting.

Community Economic Fund	0	22000	22000	New EMR for implementation of Community Economic Plan projects, including new Business Forum.
Transport Feasibility	0	10000	10000	New EMR from underspend in Economy WG for known project.
Active Travel	0	12000	12000	New EMR from underspend in the Economy WG. Possible VAS/Cycle paths contributions.
Climate Change Projects	0	7500	0	No detail provided from Working Groups on the creation of this EMR.
Town Improvement Fund	0	40000	0	No projects currently in train, reallocated to the Emergency Capital Repairs EMR given known asset work
<b>Total</b>	<b>229993</b>	<b>333493</b>	<b>310,993</b>	

Further detail from the Economy Working Group on proposed EMR allocations:

#### Earmarked reserves for the Community Economic Fund

New EMR to support the implementation of Community Economic Plan projects once they have been agreed and finalised by SHDC. Proposed areas of activity include the Business Forum (BE12 on the Business and Economy Task Group Project Plan), Totnes Markets (BE5), Business support (BE6), marketing for the Town (BE9) and initiatives aimed at optimising the high street such as “Stroll & Shop”. Specific financial allocations cannot be confirmed at this stage as the individual projects are still in development.

#### Earmarked reserves for Transport Feasibility:

New EMR from underspend in Economy WG for known project, starting with a safety audit by an independent contractor in preparation for the Totnes Old Bridge feasibility study.

#### **4. Year End Financial Position – 2025/26**

Members have previously indicated through the Strategy Delivery Working Groups (Economy, Community, Environment & Public Realm) that a proportion of 2025/26 underspend should be transferred to EMRs to support priority projects in future years.

The year-end figures for 2025/26 are now near finalisation, with a surplus (income/expenditure) of £47,859 going back into general reserves. We started the year with £536,315 so this would make our 2025/26 year end General Reserve figure about £584,174 (plus £229,993 EMR already existing), total £814,167.

If members agree the moves to EMR outlined in this report, then the balances at the end of 25/26 start of 26/27 are General Reserves £503,174 and EMR £310,993, total £814,167.

The draft budget for 2026/27 anticipates expenditure from reserves of £179,941. This would lower our General Reserves to £328,233 by the end of the 26/27 financial year (assuming we spend as budgeted). This is still above the minimum our policy allows but will require consideration in future years budget setting with a view to remaining in line with best practice.

## 5. Governance and Decision-Making

Transfers to Earmarked Reserves are normally approved by Full Council as part of the year-end financial process.

While underspends originate within specific budget headings, the transfer itself is effectively a movement of funds from General Reserves into designated reserves, rather than a direct carry-forward of individual budget lines.

Members may wish to consider whether this proposed level of reserves remains appropriate considering:

- uncertainty around Local Government Reorganisation (LGR)
- potential devolution of assets and services
- possible reductions in services from principal authorities
- future capital requirements for Council assets such as the Guildhall and Museum.

## 6. Recommendations

Full Council is asked to consider the **RECOMMENDATION** from Council Matters committee on the EMR for 2026/27 as outlined in this report. It is important that Full Council make this decision in April ahead of the accounts year end and audit process.

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