**NOCTON PARISH COUNCIL**

**AGREED REVENUE BUDGET AND PRECEPT FOR 2025/26**

**\*\*As agreed by council at the Parish Council meeting on Monday 16th December 2024\*\***

**1. Background**

The Parish Council is required to set a budget and precept for 2025/26.

Details of the process to be followed are set out by NKDC to all Parish Clerks. The following budget suggestion has been prepared in light of the guidance, etc contained in that letter.

**2. Matters for Consideration**

**2024/25 Actual versus Budget Performance**

In summary, the level of General Reserves (excluding N200 Club funds) held by the Parish Council as at the end of this Financial Year is forecast to be £13,798, a decrease of £697 on 2023/24.

There are several small contributing factors to this decrease, but a main factor is the higher than anticipated employee salary costs across the Parish Council as a whole (£849).

It is also worth noting the net cost (£1,219 = 10%) to the Council of the Solar Panels and roof void insulation. It is, however, envisaged that this net cost shall be recouped by the Council via Electricity savings in the next 12 to 15 months.

These two main factors together have reduced the forecasted yearend reserves from where they would otherwise have been (i.e., £15,866 instead of £13,798).

The recommended (LALC) level of reserves is the equivalent of 50% of precept income, which for Nocton in 2024/25 would have been 50% of £32,113 or £16,057.

* **We should continue with our previously agreed 3-year objective to return our reserves to the recommended level of 50% of Precept Income. 2025/26 is year 2 of this objective and we should again consider an appropriate increase in the Precept request to ensure that we remain on track to achieve our objective by the end of 2026/27.**
* **We should also consider, as we did last year, increasing income from The Hub through additional bookings and/or increased charges for 2025/26.**

The main basis for the suggested 2025/26 budget is the operational costs and incomes experienced in 2024/25, applying a percentage uplift to account for inflation which is forecast to peak at around 2.5% during 2025. The only unknown factor is the electricity savings and Feed-in-Tarriff (FiT) income achievable from the use of the Solar Panels.

Whilst the installer of the Solar Panels has given us estimated (likely somewhat over-inflated) projections in this respect, we’ll need to have run the system for a good 12 to 18 months before being able to verify these projections. Therefore, for the purposes of this Budget, a conservative estimate of electricity savings has been used and no FiT income has been included.

Any such FiT income and electricity savings achieved over and above that estimated when preparing and the setting the 2025/26 budget/ Precept request will offset the aforementioned net cost and, it is hoped, shall reduce the need for a significant increase in the Precept request for next year (2026/27).

**2025/26 Anticipated Cost Increases**

Significant expenditure lines for Nocton Parish Council (including the Hub) are shown below (2024/25 figures):

* Parish Council total expenditure £37,937
	+ PWLB loan repayment £16,787 (44.2% of total) - *no increase expected.*
	+ Legal Costs £2,500 (estimated) (6.6% of total) – *none known for 2025/26.*
	+ Street Lighting (mtce & power) £1,602 (4.2% of total) – *Fixed contract for power runs to June 2025. Thereafter, unit rates are somewhat unknown at this time but are expected to be marginally higher than what we are being charged at present.*
	+ Personnel costs £12,840 (33.8% of total) – *Significant increases in costs are expected for 2025/26 due to increased salary rates (TBC) and Employers National Insurance Costs (not previously incurred but will now be incurred due to change in tax legislation at the last budget).*
	+ Insurance costs £1,135 (3.0% of total) – *increase expected.*
* Hub total expenditure £37,106
	+ Electricity (power) £6,062 (16.3% of total) – *contract runs to February 2025 but this will be after the Precept request has been submitted. Unit rates and Standing Charges thereafter are somewhat unknown but are expected to be marginally lower than what we are being charged at present. We also expect to see savings from the use of the Solar Panels in 2025/26.*
	+ Personnel costs £7,240 (19.5% of total) - *Significant increases in costs are expected for 2025/26 due to increased salary rates (TBC) and Employers National Insurance Costs (not previously incurred but will now be incurred due to change in tax legislation at the last budget).*
	+ PWLB contribution £3,000 (8.1% of total)
	+ Repairs / mtce £1,820 (4.9% of total) – *includes 100% cost of roof void insulation.*
	+ Hub equip. £13,673 (36.8%) – *includes 100% cost of Solar Panel supply and installation.*
	+ Equipment servicing £1,136 (3.1% of total).
* **For the purposes of the suggested budget for 2025/26, an increase of 5% has been applied to the salary costs for the Clerk and RFO, 7.1% to The Hub Manager’s salary costs, and the Village Keepers salary has been uplifted to the new National Minimum Wage. For all other expenditure lines, where inflationary increases should be anticipated, the forecasted peak rate of inflation for 2025 (2.5%) has been used.**

**Hub Charge Out Rates & Income**

Nocton Hub should aim to achieve enough income to cover its costs - in accordance with the commitment given to residents at the time of re-building the former Village Hall. The rate for the Events Hall at Nocton Hub is currently £14.85 per hour with discounts available for local and regular users. Other local hall rates are as follows (November 2024):

* Potterhanworth £20 - (Full morning or afternoon) (No deposit requirement)
* Dunston £16 - (Winter, £14 Summer) (No deposit requirement)
* Metheringham £15 - (Weekdays, £18.75 weekends) (No deposit requirement)
* Scopwick £15 - (First two hours) (No deposit requirement)
* **An increase in Hub charge out rates as suggested below should be considered in order to account for increased cost pressures but also to align these rates with other local facilities.**
	+ **£1.15 (7.7%) increase to Event Hall hire rate = £16 per hour.**
	+ **£0.90 (7.4%) increase to Lounge hire rate = £13 per hour.**
	+ **£0.30 (3.9%) increase to Meeting room hire rate = £8 per hour.**
* **Additionally, increased marketing and promotion should take place to sell currently unsold hours.**
* **From April 2026, some consideration should be given to the introduction of a ‘Summer rate’ in light of expected Electricity savings resulting from the installation of Solar Panels.**

**Other considerations**

* There are no elections anticipated in 2025/26, however, costs associated with such an election (estimated at £2,500) should be held in reserves on an ongoing basis.
* 20% of the salary costs of both the RFO and the Clerk should be charged to the Hub account to cater for hub topics (invoicing, financial management and staff management).
* 17% of the salary and expected National Insurance costs of the Village Keeper should be charged to the Hub account to account for various tasks he completes there (cleaning and set up).
* The forecasted peak inflation rate for 2025/26 (2.5%) has been used to increase other costs where they are not fixed by contract.
* The Peppercorn Rent of £100 for the right to use a part of the paddock behind the Hub as an overspill car park has been omitted from the 2025/26 budget following the agreement reached with the owners AG Property Consultants that removes the requirement to make this payment.
* The contract for supply of Street Lighting electricity is due for renewal in June 2025. It is estimated that unit rates and standing charges at that time will be marginally higher than the rates negotiated in May/June of 2023.
* The Tree Condition survey is due in October 2025, so it would be prudent to budget for any urgent works that may need to be carried out.
* Street light maintenance works, estimated at a total cost of £2,600, have been split between this and next year.
* The contract for supply of Hub electricity is due for renewal in February of 2025 (after the date of precept request). Though the outcome of contract renewal investigations are unknown, it is expected that we’ll see a small decrease in unit rates. We should also see a decrease in usage in the over the coming year following the installation of Solar Panels.
* Whilst still unconfirmed at the time of writing, it is widely expected that water rates will increase significantly over the coming years. The budget therefore takes into account a bigger than inflation increase. Our monthly payments are also set to increase from January 2025 due to a there being a debit balance on our account at present.
* In view of the recent and future expected (and targeted) increase in Hub income, The Hub’s contribution to the mainstream Parish Council budget to help offset the cost of re-paying the Public Works Loan in accordance with the commitment given to residents at the time of re-building the former Village Hall has been increased by 15% to £3,450 (from £3,000 in 2023/24 and 2024/25).

**3. Reserves Level**

Last year, it was agreed by the Council to set an objective of returning the reserves held by Nocton Parish Council to LALC recommended levels within 3 years (i.e., by the end of the 2026/27 financial year). This would require an appropriate increase in reserve levels each year during the 3-year period.

Due to the two main factors detailed earlier in this report, it is regrettable that reserves as at the end of the current financial year are forecasted to be lower than last year.

Whilst it is envisaged that Electricity savings generated by the Solar Panels in the next 2 years will more than cover their initial upfront cost in year 1, it is important to note that the Council is facing severe cost pressures from elsewhere.

Employment costs are set to rise significantly in 2025/26, mainly due to an expected sizeable increase in wage rates. Furthermore, following a change in tax legislation announced in the recent Labour budget, we are for the first time expecting to pay Employers National Insurance Contributions on the wages of at least one employee.

Both of these of unavoidable costs could not have been foreseen when setting the aforementioned objective and is estimated to increase overall costs for 2025/26 by an eye watering £3,098! (N.B. For context – that’s a shocking 9.6% of the 2024/25 Precept!)

In light of the above, and as painful as it may be for the parishioners of Nocton, we must strongly consider the need to increase our precept request for 2025/26 to an appropriate level that ensures we cover all expected costs and keeps us on track to achieve the aforementioned objective.

Whilst the decision to increase the precept request is a difficult one, I’m sure we will not be the only local Parish Council forced to pass on their expected increase in employment costs to their parishioners.

**4. Conclusion**

It is proposed that we submit a Precept request for 2025/26 of £35,174. This would represent a significant increase of 9.5% on 2024/25 (£32,113).

This increase would serve to augment Parish Council reserves by £2,502 to £16,300 by the end of the 2025/26 financial year. (N.B. This would still be £1,287 below the LALC recommended level of reserves).

The impact that the increase to £35,174 for 2025/26 would have on a Nocton Council Taxpayer (Band D equivalent) would be an increase of £9.71 per annum or £0.81 per month. This would mean that the resultant precept (monies to fund the Parish Council) would be £111.57 per household.

Examples of Band D “Equivalents” for neighbouring parishes of a similar or smaller size (and used as comparators in previous years) are as follows:

Nocton £111.57 (assuming the proposed increase)

Potterhanworth £104.78 (current)\*

Dunston £103.75 (current)\*

Digby £121.27 (current)\*

Welbourn £117.50 (current)

(\* - figures include the additional levy for “Footpath Lighting” where payable)

Whilst the proposed figure for Nocton may look excessive in comparison to the current rates for some of the comparators, it is widely expected that they too will face the same cost pressures in the next year as we are (but perhaps to a lesser extent) and so they too will be forced to increase their precept requests by a not too dissimilar amount.

**5. Parish Council Request**

The Parish Council is required to submit its precept request by mid-January 2025 and therefore this topic must be discussed and agreed upon at the Nocton Parish Council meeting to be held on 9th January 2025 (at the latest).

The Parish Council is asked to consider the suggestions above in tandem with the “2025 26 Budget Suggestion including Precept” file and to agree on the level of precept to be requested for the 2025/26 budget year.

**Gordon Roe (Nocton Parish Council RFO) 4th December 2024**