



# Member Report

## Budget 2025/26 and Medium-Term Financial Plan

### Public

**To:** River Tees Port Health Authority      **Date:** 13 December 2024  
**From:** Deputy Treasurer      **Decision type:** Key - Budget  
**Portfolio:** Health, Housing and Welfare      **Forward Plan reference:** N/A  
**Priority:** All priorities  
**Ward(s):** All

#### 1 What are the recommendations?

1.1 It is recommended that Board Members:

- 1) Approve the 2025/26 budget proposals and the associated funding requirements based upon the information in the Appendices and informed by the latest financial outturn forecast for 2024/25.
- 2) Note the estimated planned position on reserves for 2024/25 and 2025/26

#### 2 What part of the Corporate Plan does this report deliver, and how and what options have been considered?

- 2.1 The functions of the Authority discharge each of the Teesside council's obligations around Port Health duties and finance is an integral element in delivering quality services and improving performance.
- 2.2 Timely, accurate and up to date financial planning information is a key characteristic of good corporate governance. Members need to have these details and be aware of any issues against the agreed budget and medium-term financial plan when making decisions on service delivery, staffing, training and other regulatory matters.
- 2.3 A well-managed and responsive service which uses its financial assets properly will create and maintain a better relationship with external stakeholders.
- 2.4 The report is instrumental in terms of setting the strategic financial direction for the Authority going forwards.
- 2.5 The Treasurer is recommending that the budget for the River Tees Port Health Authority for 2025/26 is set based on this report. The Authority is required to meet the statutory deadline of setting a balanced budget by 7<sup>th</sup> March for the next financial year, as set out under the Local Government Act 2003.
- 2.6 The budget for approval also needs to be considered in the context of the 2024/25 financial position.

### **3 What is the purpose of this report?**

- 3.1 To recommend a budget for approval by the Authority for the 2025/26 financial year, which proposes the funding levels required from each of the four contributing local authorities and considers the level of reserves held by the Authority.
- 3.2 To consider this budget in the context of the medium-term financial position. This will assist the Authority with its own planning processes and will seek to ensure that there is some clarity about the resources needed from individual local authorities over the medium term.

### **4 What is the background to this report?**

#### **4.1 Budget for 2025/26**

- 4.2 The financial landscape facing local authorities continues to be extremely challenging and change programmes and significant cost cutting measures introduced in recent years have continued to evolve to ensure the financial sustainability over the medium to long term.
- 4.3 Following a number of delays to the changes to import controls following the UK's exit from the EU over recent years, a revised format, the Border Target Operating Model (BTOM), was operational at the end of April 2024.
- 4.4 The BTOM represents a significant change from plans in earlier years where it was expected all imports would be checked. Imports are split into categories of goods that are low, medium and high risk.
- 4.5 Estimated income from the BTOM in 2025/26 have been prepared based on early indicative revenue streams in 24/25, analysis of historic consignment data by the Principal Environment Health Officer, which may vary and change including schemes such as the 'trusted trader scheme' possibly taking effect, reducing cost for the importer. Staffing and variable costs have been estimated based upon these volumes and are subject to revision accordingly.

#### **4.6 Key Budget Assumptions for 2025/26**

##### **Salary costs**

Salary costs increase have been from £214,650 in 2024/25 to £242,350 in 2025/26, to reflect estimated inflationary salary increases and additional support to service demand.

Given the changes in the level of checks required when comparing previous planned import controls to the planned BTOM, it is expected that the service will increase FTE's to 6.3 (together with Vet services noted below) with additional business support staff.

Staffing and associated costs will be revisited accordingly depending on demand.

The budget for 2025/26 includes an estimated pay award of 3.0%, albeit the local government pay award has not been considered yet and may be influenced by a recently announced increase in the National Living Wage.

#### 4.7 **Non-pay budgets**

Non pay budgets have increased from £299,415 to £396,900.

All non-pay budgets for 2025/26 have been fully reviewed and the total non-pay budget has increased to £397k to reflect additional vet cost and estimated overtime, updated Service Level Agreement (SLA) forecast from Redcar and Cleveland Borough Council and estimated inflationary increases.

Professional Fees are expected to increase from £276,550 to £372,850.

This is as a result of:

- The planned utilisation of two vets on an hourly rate from April 2025 (2\* £104k) plus estimated overtime to support increased demand for services.
- Increased SLA cost from £96,350 to £123,350 (The details of this can be seen at Appendix 1) reflecting;
  1. Increased Accounts Payables and Accounts Receivable support (based on expected increase in sales volume)
  2. Additional FTE admin/IT recharges (based on increased FTE)
  3. Estimated inflationary salary increases

Remaining overheads are expected to incur inflationary increases.

#### 4.8 **Product of Animal Origin Income**

This income stream commenced in May 2024, this income projection is subject to some estimation and will require close monitoring through the remainder of 2024/25 and into 2025/26.

Consignments are split into low, medium and high risk with a fee per consignment based on this classification. Budget for 25/26 is based on achieving c. £45k income per month plus an assumed inflationary increase in fee rate.

It is not expected RTPHA will have any high fee consignments for livestock products.

The trusted trader scheme currently in the pilot stage does not provide for reduced checks at the border and if implemented in full, would have no impact on the RTPHA revenues.

#### 4.9 **Other income**

The budgeted other income lines have been reviewed and revised, increasing estimated revenue streams from £103k to £107k in 2025/26 budget. The nature of most of the Authority's income continues to be demand led and therefore income levels will be closely monitored, and forecasts may need to be amended as we progress through 2025/26.

4.10 The current amount held by the Authority in its general reserves is £207k, and this is expected to be £375k at the end of 2024/25 financial year. The budget proposals indicate a surplus with no drawdown from reserves. The level of reserves held act as a protection against unexpected or unbudgeted costs. The Authority is heavily reliant on one main customer of Product of Animal Origin Income. It is suggested that the Authority builds reserves to this level through retaining any future surplus. The Authority will review its reserve balances over the medium term, once recurring operational income and costs of the TOM arrangements are clearer.

4.11 On the basis of the assumptions outlined above, it is proposed Riparian contributions are prudently retained in the budget at the same level in 2025/26, £157,650 (2024/25

£157,650), and that refunds are provided at the end of 2025/26 when/if reserves exceed level to be set by the Board. This allows time for more data, over a full years cycle, to evidence trend and provide assurance around income and cost levels.

4.12 It is good practice to review the level of reserves at the start of each financial year and compare these against the risks faced by the Authority. The budget being recommended for the 2025/26 financial year is compiled using the information available at this time but the main risk to the service in financial terms continues to relate to the uncertainty of the BTOM revenues and costs and reliance on one main customer.

#### 4.13 **Medium Term Financial Plan**

Given the continuing uncertainty around volume and mix and impact of schemes including trusted trader scheme, a longer-term financial plan cannot be accurately prepared. It is proposed that longer term plans are prepared once at least 18 months of data are available and clarification regarding any schemes are received.

4.14 A summary of the proposed budget for 2025/26 is set out below. The detailed spend and income budget can be seen at Appendix 3.

	<b>Projected Outturn 2024/25</b>	<b>Proposed Budget 2025/26</b>
<b><u>Expenditure</u></b>		
Employee Costs	214,650	242,350
Other operating Costs	299,415	396,900
<b>Total Costs</b>	<b>514,065</b>	<b>639,250</b>
Income	- 523,850	- 660,500
<b>Net Expenditure/(Surplus)</b>	<b>- 9,785</b>	<b>- 21,250</b>
<b><u>Funding</u></b>		
Middlesbrough BC	23,648	23,648
Stockton BC	48,872	48,872
Hartlepool BC	3,153	3,153
Redcar and Cleveland BC	81,978	81,978
<b>Total Funding</b>	<b>157,650</b>	<b>157,650</b>
<b>Net (Surplus)</b>	<b>- 167,435</b>	<b>- 178,900</b>
<b>Reserves B/fwd</b>	<b>207,724</b>	<b>375,159</b>
Surplus for the period	9,785	21,250
Riparian contributions	157,650	157,650
<b>Reserves C/fwd</b>	<b>375,159</b>	<b>554,059</b>

## 4.15 Financial Assumptions

The budget for the period 2025/26 has been developed around some core assumptions. Some of these have already been set out above in explaining the basis for the 2025/26 budget. However, it is worth setting these out again as any future discussion on the MTFP would need to focus on these issues.

- A 3.0% pay increase has been assumed in 2025/26 – which may need to be revisited in light of a recent increase in the National Living Wage to be implemented from 1 April 2025 and the eventual local government pay award for 2025/26.
- Income levels are based on small amounts of quantitative data currently available and an in-depth analysis into the types and quantities of imported food and feed POAO into the port from both third countries, and from the EU.
- A long-term financial aim of the RTPHA is to seek to become more self-sustainable and operate within the fees and charges it collects to cover its operational costs and overheads. The draft 25/26 budget implies a small surplus before Riparian contributions. Should this be achieved a longer term strategy will be developed. The delivery of this objective will need to continue to be closely assessed.

## 5 Who will this benefit and how?

- 5.1 Timely, accurate and up to date financial planning information is a key characteristic of good corporate governance. Members need to have these details and be aware of any issues against the agreed 2025/26 budget when making decisions on service delivery, staffing, training, and other regulatory matters.
- 5.2 A well-managed and responsive service which uses its financial assets properly will create and maintain a better relationship with external stakeholders.

## 6 Who have we consulted?

- 6.1 The budget for 2025/26 have been set in consultation with the Treasurer and Clerk for the Authority, and the Environmental Health (commercial) team at Redcar and Cleveland Council.
- 6.2 The financial position, 2025/26 budget have been discussed between environmental health managers of the Riparian authorities and finance staff as required. In general, there are no major issues in terms of what is being proposed within this report however, with any significant change there are risks and uncertainties that mean the financial position should be monitored closely and Members will be updated on a regular basis.

## 7 What are the risks and resource implications (financial, human resources)?

- 7.1 The information in the report acts as a management control to ensure that the financial activities of the Authority are being managed properly and resources used effectively. Without setting a budget and providing robust financial planning information the Authority would not be able to ensure that value for money is secured in pursuit of its objectives. Also, decisions made may be poorly informed or the wrong decision made without accurate and up to date information.
- 7.2 The resource implications are outlined in the main body of the report.

**8 What will be the impact on equality and diversity?**

8.1 There are no equality and diversity issues as part of this report.

**9 What will be the impact on our carbon footprint?**

9.1 There is no direct impact on the carbon footprint because of this report.

**10 Are there any legal considerations?**

10.1 There are no specific legal issues to consider because of this report.

**11 What is the reason for the recommended option?**

11.1 Not applicable for this report.

**12 Appendices and further information**

12.1 Supplementary information for the proposed budget for 2025/26 :

Appendix 1 – RCBC Central Support Services.

Appendix 2 – RTPHA Fees & Charges.

Appendix 3 – Detailed Proposed Budget.

**13 Background papers – none**

**14 Contact officer**

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The anticipated recharge for Services provided by Redcar & Cleveland Borough Council for each financial year is as follows:

<b>Service Provided</b>	<b>Basis of Calculation</b>	<b>24/25 Initial Budget £</b>	<b>24/25 Projected outturn £</b>	<b>25/26 Budget £</b>
<b>Accountancy</b> – budget setting; budget monitoring; preparation of reports; attendance at meetings; annual returns, financial systems maintenance and control.	Finance Manager (2025/26 45 Days)	11,550	11,550	11,900
	Senior Accounting Support Office (2025/26 50 Days)	9,000	9,000	9,250
		20,550	20,550	21,150
<b>Democratic Services</b> - agenda collation, preparation, production and distribution; attendance at meetings; production and distribution of minutes; member services.	Sue Fenwick (135 Hours)	3,950	3,950	4,050
<b>Principal Environmental Health Officer</b> – management of operational requirements of the service; preparation of reports; provision of training to members and officers; attendance at meetings.	Sue Ziolkowski (50% of post)	28,950	28,950	29,050
<b>AR/AP</b> - payment and processing of both debtors and creditors invoices	Invoice/income based	11,850	11,850	29,590
<b>HR &amp; Payroll</b> - recruitment; contract maintenance; system maintenance; absence monitoring etc.	6.3 employees	3,200	3,200	3,850
<b>LSP</b> - general support services e.g., mail sorting, collection and distribution; reception facilities; caretaking services.	6.3 employees	600	600	700
<b>Admin Buildings</b> - heating; lighting; water; rates; cleaning etc.	6.3 employees (9.1sq.m)	19,350	19,350	24,850
<b>IT - IT support</b>	6.3 employees	6,950	6,950	8,925
<b>Internal Audit</b> – Sign off annual review before submission to BDO		950	950	1,150
<b>Total (rounded to nearest £50)</b>		<b>96,350</b>	<b>96,350</b>	<b>123,350</b>

## Appendix 2

Income Type	Basis for charge	24/25 Budget	24/25 Projected Outturn	25/26 Proposed Budget
Product of Animal Origin	Officer time & analyst fees	120,000	412,250	553,500
Catch Certification	Officer time & analyst fees	69,000	65,000	66,950
Sanitation Certificates	APHA Recommendation	27,850	27,500	28,350
High Risk Products Imports	Officer time & analyst fees	500	250	250
Organic Certificates	DEFRA Recommendation	1,100	800	800
RTPHA Permits (annual fee)	Set in statute	700	700	700
Plastic Declaration	Officer time & analyst fees	700	700	700
Water Sampling	Officer time & analyst fees	8,250	8,250	9,250
		<b>228,100</b>	<b>515,450</b>	<b>660,500</b>



	24/25 Budget	24/25 Projected Outturn	25/26 Budget
Salaries - Basic Pay	143,350	165,550	189,900
Salaries - National Insurance	14,750	17,750	27,300
Salaries - Overtime	6,500	9,100	2,000
Salaries - Superannuation	14,600	19,000	19,900
Other Allowance	2,750	2,750	2,750
Car Allowances	1,650	500	500
	<b>183,600</b>	<b>214,650</b>	<b>242,350</b>
Training Expenses	500	0	500
Tools and Equipment - Purchase	1,050	1,050	1,100
Protective Clothing	500	500	500
Printing & Stationery	100	100	100
Photocopier Charges - Usage	50	50	50
Services - Professional Fees - Official Vets	104,000	170,215	239,200
Analysts Fees	8,300	9,000	9,250
External Audit Fees	950	1,000	1,050
SLA Agreement	96,350	96,350	123,350
Comms - Mobile Telephones	750	750	750
Computing - Purchase of Software	18,000	18,000	18,550
Subscriptions	1,250	1,250	1,300
Public Liability Insurance	1,150	1,150	1,200
	<b>232,950</b>	<b>299,415</b>	<b>396,900</b>
Government Grants- DEFRA/SFA	-	-8,400	-
	-	<b>-8,400</b>	-
Product of Animal Origin	-120,000	-412,250	-553,500
Catch Certification	-69,000	-65,000	-66,950
Sanitation Certificates	-27,850	-27,500	-28,350
High Risk Products Imports	-500	-250	-250
Organic Certificates	-1,100	-800	-800
RTPHA Permits (annual fee)	-700	-700	-700
Plastic Declaration	-700	-700	-700
Water Sampling	-8,250	-8,250	-9,250
	<b>-228,100</b>	<b>-515,450</b>	<b>-660,500</b>
<b>Total Budget</b>	<b>188,450</b>	<b>-9,785</b>	<b>-21,250</b>
<b>Reserves at start of year b/f</b>	<b>207,724</b>	<b>207,724</b>	<b>375,159</b>
Estimated (loss)/surplus	-188,450	9,785	21,250
Riparian financial contributions	157,650	157,650	157,650
<b>Reserves at end of year c/f</b>	<b>176,924</b>	<b>375,159</b>	<b>554,059</b>