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| Meeting of: | Shared Regulatory Services Joint Committee |
| Date of Meeting: | Wednesday, 19 February 2025 |
| Relevant Scrutiny Committee: | Homes and Safe Communities |
| Report Title: | Shared Regulatory Services Draft Budget Proposal 2025/26 |
| Purpose of Report: | To Provide the Partner Authorities with details of the 2025/26 Shared Regulatory Services Draft Budget Proposal |
| Report Owner: | Matt Bowmer - Head of Finance / Section 151 Officer |
| Responsible Officer: | Miles Punter – Director of Environment and Housing |
| Elected Member and Officer Consultation: | Head of Service for Shared Regulatory Services |
| Policy Framework: | This is a matter for Shared Regulatory Services |

Executive Summary:

- To gain Joint Committee’s approval of the Proposed Shared Regulatory Services (SRS) Budget in respect of financial year 2025/26.
- The Proposed SRS Budget 2025/26 is set out below:

| | Current Budget 2024/25 | Proposed Budget 2025/26 | Increase/ (Decrease) in Contribution |
|---------------------------------|-------------------------------|--------------------------------|---|
| Gross Expenditure Budget | £'000's | £'000's | £'000's |
| Bridgend | 1,917 | 1,803 | (114) |
| Cardiff | 5,152 | 5,218 | 66 |
| Vale | 1,744 | 1,817 | 73 |
| Total Budget | 8,813 | 8,838 | 25 |

- The table below models a broadly standstill budget as the approach that has been taken has been to effectively self-fund the 3% pay award from savings found from within the core budget. The Proposed budget position is £8.838m which is a net increase of £25k. This is set out in the table below:

| 2024/25 to 2025/26 Budget Reconciliation | £'000 |
|---|--------------|
| 2024/25 Agreed Budget | 8,813 |
| 2024/25 Adjustment for Pay Award Shortfall | 39 |
| 25/26 Pay award increase | 245 |
| 25/26 Savings to find figure and Authority Specific Adjustments | (259) |
| 2025/26 Draft Proposed SRS Budget | 8,838 |

- Authorities are requested to confirm agreement to the 2025/26 Proposed Budget by 10th March 2025.
- Provisionally the increased cost of the employers National Insurance contributions has not been included in the base contributions and are set out below. It is currently proposed that these costs will be apportioned and added to the current draft budget quarterly contributions in accordance with the Joint Working Agreement. When clarification on the funding arrangements is provided by Welsh Government it is proposed that these contributions should be agreed based on the apportionment methodology used by Welsh Government and a further update report shall be brought to Committee potentially as part of the Q1 position.

| | Total Partner Contributions |
|------------------------------|------------------------------------|
| Employer NIC Increase | £'000's |
| Bridgend | 33 |
| Cardiff | 96 |
| Vale | 33 |
| Total NIC Increase | 162 |

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Recommendations

1. That the Joint Committee approve the Proposed Shared Regulatory Services Budget in respect of 2025/26.
2. In accordance with the requirement of the Joint Working Agreement (JWA), individual authorities are requested to approve in writing the Proposed Budget for 2025/26 by 10th March 2025.

Reasons for Recommendations

1. To seek the agreement of the Joint Committee in line with the Joint Working Agreement.
2. To allow the budget to be finalised prior to the start of 2025/26.

1. Background

- 1.1 The Shared Regulatory Services (SRS) Joint Working Agreement (JWA) sets out the particulars for operating the collaborative service, and for the creation of the SRS which was signed by the Partner Authorities on 10th April 2015, with the Service becoming operational on the 1st May 2015.
- 1.2 As directed by changes in legislation the JWA has been updated accordingly, thus enabling the SRS to continue to effectively deliver services.
- 1.3 The JWA states that the Joint Committee should agree the draft annual budget which is referred to as the Proposed Budget by 31st December prior to the commencement of the Financial Year to which it relates, and that the Proposed Budget should be submitted to each of the Partner Authorities for approval. When the Joint Committee met on 18th December 2024, consideration was given to a report setting out a number of options for a Shared Regulatory Services budget reduction in 2025/26.
- 1.4 As a consequence of the announcement in respect of the Welsh Government Settlement on 20th December 2024, after the SRS Joint Committee meeting of 18th December 2024, it was considered that it would be helpful for Partner Authorities to have clarity on their funding of the 2025/26 settlements ahead of decision making. It was therefore agreed by Committee that the 2025/26 budget decision would be deferred until January 2025.
- 1.5 As set out in the JWA it is requested that each Partner Authority shall notify the Clerk to the Joint Committee no later than 10th March prior to the commencement of the financial year to which the Proposed Budget relates, as to whether the Partner Authority has approved the Proposed Budget.
- 1.6 Following consideration of the budget saving options outlined in the report to the December 2024 Joint Committee meeting, the Partner Authorities have explored an approach that would see in effect a standstill budget for 2025/26. This would be achieved by the Service finding internal savings in order to cover the 2025/26 pay award which is currently forecasted at 3%

- 1.7 Following modelling carried out by the Vale of Glamorgan as Host Authority, consideration for an assumed 3% pay award has been incorporated into the 2025/26 budget proposal. The proposal also includes the costs associated with correcting the base budget for the differential in the 2024/25 pay award within the 2025/26 budget which is approximately £39k.
- 1.8 The Service is split into Core and Authority Specific Services. The Core Services are operated on behalf of all authorities; the JWA outlines the methodology to determine the percentage contribution to be made by each Partner Authority, which is based on the population data taken from the settlement.
- 1.9 Authority Specific Services are paid for by individual authorities and include Public Health Burial (Vale), Pest Control (Vale), Kennelling and Vets (Vale & Bridgend), Licensing (All), HMO Cathays and Plasnewydd (Cardiff).
- 1.10 This report outlines the proposed 2025/26 budget position.

2. Key Issues for Consideration

- 2.1 The SRS was established on 1st May 2015. In the creation of the Service, 170 staff transferred from Bridgend and Cardiff Councils to the Vale of Glamorgan Council.
- 2.2 The table below models a broadly standstill budget as the approach that has been taken has been to effectively self-fund the 3% pay award from savings found from within the core budget. The Proposed budget position is £8.838m which is a net increase of £25k. This is set out in the table below:

| 2024/25 to 2025/26 Budget Reconciliation | £'000 |
|---|--------------|
| 2024/25 Agreed Budget | 8,813 |
| 2024/25 Adjustment for Pay Award Shortfall | 39 |
| 2025/26 Pay award increase | 245 |
| 2025/26 Savings to find figure and Authority Specific Adjustments | (259) |
| 2025/26 Draft Proposed SRS Budget | 8,838 |

- 2.3 In lieu of a core savings adjustment, this proposal accounts for the SRS internally funding the 2025/26 pay award which is currently forecasted at 3%. This method allows a greater period of time for senior management to conduct an extensive review of the service and identify areas in which savings could be made and additional income can be generated to fund the pay award which across the service is currently forecasted to cost £245k.
- 2.4 An analysis of the proposed saving for each partner authority via the unfunded pay award is illustrated in the following table:

| | Authority Specific | Core | Total |
|----------------------------|--------------------|------------|------------|
| Savings Illustration | £'000's | £'000's | £'000's |
| Bridgend | 11 | 38 | 49 |
| Cardiff | 47 | 99 | 146 |
| Vale | 15 | 35 | 50 |
| Total Savings Taken | 73 | 172 | 245 |

Population Table per Authority 2025/26

| | Population figures by Local Authority 2025/26 | Percentage of Population 2025/26 |
|---------------------|---|--|
| Bridgend | 146,743 | 22.07% |
| Cardiff | 383,536 | 57.67% |
| Vale | 134,733 | 20.26% |
| Total Budget | 665,012 | 100.00% |

2.5 Authorities were advised of their Provisional Settlement on 11th December 2024, with the 2025/26 Final Settlement due to be announced in March 2025.

2.6 Management Overheads are reallocated based on information provided by the senior management team, which considers the historic level of management support consumed across the spectrum of SRS disciplines. Where consumption cannot be individually identified, the overheads are recharged based on the value of budget held.

Proposed Financial Contributions

2.7 The following table summarises the 2025/26 Proposed Gross Expenditure Budget as detailed below:

| | Current Budget 2024/25 | Proposed Budget 2025/26 | Increase/ Decrease in Contribution |
|-----------------------------|---------------------------|-------------------------------|--|
| Gross Expenditure Budget | £'000's | £'000's | £'000's |
| Bridgend | 1,917 | 1,803 | (114) |
| Cardiff | 5,152 | 5,218 | 66 |
| Vale | 1,744 | 1,817 | 73 |

| | | | |
|---------------------|--------------|--------------|-----------|
| Total Budget | 8,813 | 8,838 | 25 |
|---------------------|--------------|--------------|-----------|

Breakdown of Proposed 2025/26 SRS Partner Budgets

| | Proposed Core Budget 2025/26 | Proposed Authority Specific Budget 2025/26 | Proposed Partner Contribution 2025/26 |
|---------------------------------|---|---|--|
| Gross Expenditure Budget | £'000's | £'000's | £'000's |
| Bridgend | 1,358 | 445 | 1,803 |
| Cardiff | 3,534 | 1,684 | 5,218 |
| Vale | 1,242 | 575 | 1,817 |
| Total Budget | 6,134 | 2,704 | 8,838 |

Core Budget

- 2.8 The 2024/25 Gross Core Budget of £6.120m has been used as a base for the Proposed 2025/26 Budget of £6.134m, which is made up of:

| 2024/25 to 2025/26 Core Budget Reconciliation | £'000 |
|--|--------------|
| 2024/25 Agreed Budget | 6,120 |
| 2024/25 Adjustment for Pay Award Shortfall | 27 |
| 2025/26 Adjustment for 3% Anticipated Pay Award | 171 |
| 2025/26 3% Pay award saving | (171) |
| 2025/26 Budget split adjustment | (13) |
| 2025/26 Draft Proposed SRS Budget | 6,134 |

- 2.9 Consideration has been given to the net pay adjustment resulting from an assumed 3% pay award for 2025/26 plus an adjustment for the shortfall in the 2024/25 pay award, plus the changes to both National Insurance and Employers Superannuation contributions due. After adjusting for the pay award to be internally funded by the SRS in lieu of savings the Core Gross Expenditure budget for 2025/26 is £6.134m. The resulting 2025/26 Core contributions due from the Partner Authorities are analysed in the following table:

| Authority | 2025/26 | Current Budget 2024/25 £'000's | Proposed Budget 2025/26 £'000's | Increase/ (Decrease) in Contribution £'000's |
|------------------|----------------|---|--|---|
| Bridgend | 22.07% | 1,454 | 1,358 | (96) |
| Cardiff | 57.67% | 3,488 | 3,534 | 46 |

| | | | | |
|-------------------|--------|--------------|--------------|-----------|
| Vale | 20.26% | 1,178 | 1,242 | 64 |
| Total Core | | 6,120 | 6,134 | 14 |

Authority Specific Budget

- 2.10** The 2024/25 Gross Authority Specific Budget of £2.693m has been used as a base for the Proposed 2025/26 Authority Specific Budget of £2.704m, which is made up of:

| 2024/25 to 2025/26 Budget Reconciliation | £'000 |
|---|--------------|
| 2024/25 Agreed Budget | 2,693 |
| 2025/26 Agreed reduced contribution Bridgend | (14) |
| 2023/24 Adjustment for Pay Award Shortfall | 12 |
| 2025/26 Budget split adjustment | 13 |
| 2025/26 Draft Proposed SRS Budget | 2,704 |

- 2.11** The split of the authority specific gross expenditure is split over the authorities as shown in the table below:

| | | Current Budget 2024/25 | Proposed Contribution 2025/26 | Increase/ (Decrease) in Contribution |
|------------------------------------|--|-----------------------------------|--|---|
| Authority Specific Services | | £'000's | £'000's | £'000's |
| Bridgend | | 463 | 445 | (18) |
| Cardiff | | 1,664 | 1,684 | 20 |
| Vale | | 566 | 575 | 9 |
| Total AS Budget | | 2,693 | 2,704 | 11 |

- 2.12** The 2025/26 increase in Partner Contributions due relates to the 2024/25 pay award shortfall and a minor budget adjustment to the baseline budget brought forward from the previous period.

- 2.13** The reasoning for the disparity in shared element of the increased contribution to the authority specific budget by Bridgend is as a result of a requested higher level of saving. To achieve the required savings figure outlined by Bridgend in addition to the self-funded pay award for 2025/26 a further reduction has been made to the Bridgend kennelling & vets' budget of £14k due to the historic underspend in this area.

2.14 Due to the ringfenced nature of Authority Specific arrangements it is possible that further negotiation on a partner-by-partner basis may be required to finalise arrangements for 2025/26.

Increase in Employers NIC

2.15 Provisionally the decision has been made to isolate the increased cost of the employers National Insurance contributions from the draft budget. The resulting costs attributable to each partner authority for Core and Authority specific services are shown in the table below. These costs have been apportioned in accordance with the current draft budget quarterly contributions. When clarification on the situation is provided by Welsh Government in the early part of the Summer 2025 National insurance contributions will be agreed based on the apportionment methodology used by Welsh Government and a further update report shall be brought to Committee potentially as part of the Q1 position.

| | Core Services Budget | Authority Specific Services Budget | Total Partner Contributions |
|------------------------------|-----------------------------|---|------------------------------------|
| Employer NIC Increase | £'000's | £'000's | £'000's |
| Bridgend | 29 | 4 | 33 |
| Cardiff | 86 | 10 | 96 |
| Vale | 29 | 4 | 33 |
| Total NIC Increase | 144 | 18 | 162 |

Next Steps

2.16 Following a decision by this Committee to approve the Proposed Budget, the next stage is for each of the Partner Authority to approve their 2025/26 contribution.

2.17 The JWA states that each Authority shall notify the Clerk to the Joint Committee no later than 10th March prior to the commencement of the Financial Year to which it relates, to confirm their approval of the Proposed Budget.

2.18 In the event that the Proposed Budget is not approved by any of the Partner Authorities by 31st March 2025, the Authority/Authorities who do not approve the revised budget will be treated as if they have given notice of intention to withdraw from the Agreement.

2.19 Local Authorities were advised of their provisional 2025/26 Revenue Support Grant on 11th December 2024, with the final settlement papers available on 20th February. Therefore, it is considered that Authorities should be in a position to confirm agreement to the 2025/26 Proposed Budget by 10th March 2025.

2.20 At such time the Proposed Budget is approved by each authority in writing, it will then become the approved Budget for the financial year to which it relates.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The revenue budget is set in order to support services in the delivery of the SRS Well-being objectives. It is therefore important for expenditure to be monitored to ensure that these objectives are being delivered.
- 3.2** The revenue budget has been set and is monitored to reflect the 5 ways of working.
- 3.3** **Looking to the long term** – The setting of the revenue budget requires planning for the future and takes a strategic approach to ensure services are sustainable and that future need and demand for services are understood.
- 3.4** **Taking an integrated approach** – The revenue budget include services which work closely with other organisations to deliver services.
- 3.5** **Involving partners in decisions** – As part of the revenue budget setting process there is open engagement between the SRS partners.
- 3.6** **Working in a collaborative way** – The SRS was created as a collaborative service in 2015, with the split of the Core funding shown in line with the population data which is updated on an annual basis.
- 3.7** **Understanding the root cause of issues and preventing them** – Monitoring the revenue budget is a proactive way of understanding the financial position of services in order to tackle issues at the source as soon as they become apparent.

4. Climate Change and Nature Implications

- 4.1** The SRS Annual Business Plan details illustrates how the Service is working towards reducing the carbon footprint of the service with consideration also given to nature implications, such as investigating noise and air emissions through environmental monitoring, including regulating emissions from industrial processes.

5. Resources and Legal Considerations

Financial

- 5.1** As detailed in the body of the report.

Employment

- 5.2** There are no employment implications.

Legal (Including Equalities)

- 5.3** There are no legal implications.

6. Background Papers

None.