

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	COUNTY COUNCIL
Date:	9 MARCH 2023
Subject:	RELEASE OF COUNCIL BALANCES TO FUND ADDITIONAL PAY COSTS IN SCHOOLS
Portfolio Holder(s):	COUNCILLOR ROBIN WYN WILLIAMS – PORTFOLIO HOLDER – FINANCE, CORPORATE BUSINESS & CUSTOMER EXPERIENCE
Head of Service / Director:	MARC JONES – DIRECTOR OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
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Local Members:	Not Applicable
A –Recommendation/s and reason/s	
<p>In setting the Council’s revenue budget for 2022/23, an assumption was made on the level of the pay award for NJC staff (applicable from April 2022) and for teaching staff (applicable from September 2022). The assumption was made in late 2021, prior to the budget being approved by the County Council on 10 March 2022.</p> <p>The assumption was that pay would increase by 2.5% for both category of workers, although a contingency sum of £1m was also included in the budget, which increased the estimated increase to 3.2%. This gave an increase of £2.3m to cover the increase in pay. These assumptions were made before the commencement of the war in Ukraine and the subsequent significant rise in the level of inflation.</p> <p>The final pay award for non teaching staff was agreed at £1,925 per employee, which gave an average pay rise of 7.5% and an overall increase in the pay budget of £3.8m.</p> <p>The pay award for teachers, which is recommended to Welsh Government by an independent pay body, set the pay award at 5%. This recommendation was accepted by Welsh Government and implemented from September 2022, although it should be noted that teaching unions are currently taking industrial action in order that Welsh Government increase the pay award. A further offer has been made and it is anticipated that all, or part, of the cost will be funded by Welsh Government by means of additional grant funding to local authorities. The cost of the 5% pay award was £926k compared to £473k allowed for in the budget.</p> <p>The Government announced in the Autumn Statement a reverse of the increase in level of the employer’s national insurance contributions. The proposed increase had been factored into the Council’s budgets and can now be reversed. The change will reduce the Council’s national insurance contributions by £260k across all the Council’s services.</p> <p>For the majority of the Council’s services, the additional cost will be absorbed into their costs and may be covered by underspending in other budget areas or result in an overspend, which will be charged against the Council’s General Balances.</p>	

However, as the budget for schools is delegated, any overspending arising from the under provision for the increase in pay in the delegated budget will be charged against individual school's balances. Although a large number of schools would have sufficient school balances to fund the additional cost, some schools would be left with little or no balances, and a small minority would have a deficit balance.

The Executive has considered the matter as part of the review of the Council's revenue budget monitoring process (see Executive 2 March 2023 – agenda item 3) and are recommending to the Full Council that the schools delegated budget is increased to meet the additional costs faced by schools.

The additional costs are as follows:-

	Non Teaching £	Teachers £	Total £
Total Cost of the Pay Award for Schools	707,575	921,690	1,629,265
Less Inflation Allowed for in the 2022/23 Budget	(86,700)	(354,860)	(441,560)
Reduction in NI Contributions	(16,690)	(97,380)	(114,070)
Shortfall in Budget	604,185	469,450	1,073,635

If the release of the funding is approved, it will be allocated between the 3 sectors (primary, secondary and special) pro rata, as per the staffing budgets set in the 2022/23 delegated school's budget and then allocated to individual schools using the normal funding formula.

At the beginning of the financial year, the Council's general balances stood at £12.278m. £0.796m has been released during 2022/23, leaving a balance of £11.482m. The release of this funding to schools would reduce the balance to £10.408m, which is equivalent to 6.57% of the 2022/23 net revenue budget.

The Executive budget proposals for 2023/24 utilises a further £1.78m of general balances and £2m of earmarked reserves, which would leave the General Balances standing at £8.628m, prior to any adjustment for under / overspending at the end of the 2022/23 financial year. The figure of £8.628m is equivalent to 5% of the 2023/24 proposed net revenue budget.

B – What other options did you consider and why did you reject them and/or opt for this option?

Consideration was given to not funding the additional cost and requiring schools to use their own balances to meet the cost. This would have left a number of schools with little or no balances and left a small number of schools with a deficit balance.

Schools are facing a difficult financial position in 2023/24, with the majority of schools using school balances to allow them to set a fully funded budget. Without this additional funding support, schools would have to cut expenditure in 2023/24 in order to set a fully funded budget.

The additional funding allows schools time to plan for potential reductions in expenditure which may be necessary in 2024/25.

C – Why is this a decision for the Full Council?

The Council resolved at its meeting on 10 March 2022 to :-

“Delegate to the Executive Committee, in respect of the financial year 2022/23 and on advice of the Director of Function (Resources) / Section 151 Officer, the power to release £250k from general balances to deal with priorities arising during the year.”

As the sum requested to be transferred from the Council’s General Balances exceeds £250k, the decision rests with the full Council.

CH – Is this decision consistent with policy approved by the full Council?

Under the Council’s Constitution, the full Council has the power to allocate funding.

D – Is this decision within the budget approved by the Council?

The decision amends the Council’s revenue budget.

Dd – Assessing the potential impact (if relevant):

1	How does this decision impact on our long term needs as an Island?	The decision will assist in maintaining the financial resilience of schools.
2	Is this a decision which it is envisaged will prevent future costs / dependencies on the Authority? If so, how?	No. The decision fully funds the increased costs which schools are facing. The increased pay award for both teaching and non teaching staff is outside the Council’s control.
3	Have we been working collaboratively with other organisations to come to this decision? If so, please advise whom	Not applicable
4	Have Anglesey citizens played a part in drafting this way forward, including those directly affected by the decision? Please explain how.	Not applicable
5	Note any potential impact that this decision would have on the groups protected under the Equality Act 2010.	Not applicable
6	If this is a strategic decision, note any potential impact that the decision would have on those experiencing socio-economic disadvantage.	The release of funding to schools will assist schools to meet the needs of pupils from socio-economic disadvantaged backgrounds. However, it does reduce the Council’s overall funding level which may result in reductions in services in the future.
7	Note any potential impact that this decision would have on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.	None

E - Who did you consult?		What did they say?
1	Chief Executive / Leadership Team (LT) (mandatory)	The Chief Executive and LT were aware of the financial position faced by schools and support the decision.
2	Finance / Section 151 (mandatory)	Author of the report.
3	Legal / Monitoring Officer (mandatory)	The Council's Monitoring Officer was consulted on whether this decision rests with the Council and the report is brought to the Council following receipt of the Monitoring Officer's advice.
4	Human Resources (HR)	Not applicable
5	Property	Not applicable
6	Information Communication Technology (ICT)	Not applicable
7	Scrutiny	The consequence of the higher than budgeted pay awards for both teaching and non teaching staff have been discussed with members of the Finance Scrutiny Panel. The Chair of the Panel then updates the Corporate Scrutiny Committee on the Panel's work.
8	Local Members	Not Applicable
9	Any external bodies / other/s	Not Applicable
F - Appendices:		
None		
FF - Background papers (please contact the author of the Report for any further information):		
<p>Executive Committee – 2 March 2023 – Item 3 – Revenue Budget Monitoring 2022/23 Quarter 3.</p> <p>Isle of Anglesey County Council – 10 March 2022 – Item 10 (c) – Council Tax Setting Resolution 2022/23 – resolution 1(dd).</p>		