

ASCENSION ISLAND GOVERNMENT

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Formal meeting of the Ascension Island Council Finance Committee

1700 on Monday 27 February 2023 at the Court House

MINUTES

Present: Catherine Leo, Acting Director of Resources

Councillor Kerry Benjamin
Councillor Alan Nicholls

In attendance: David Mills, Director of Operations and Facilities
Siobhan Stewart, Clerk of Council

Apologies: Councillor Kyla Benjamin

1. Welcome

The Acting Director of Resources (ADoR) welcomed all parties and explained that following the recent informal meeting of the finance committee, the budget was now ready to be formally considered. The DoR explained that the constitution requires that estimates of revenue and expenditure are produced at the beginning of each financial year and that any additional funding requests must be passed through an appropriation ordinance for authorisation. The ADoR confirmed that since the most recent informal meeting of the finance committee, freight charges have now been added and the bids have been revised. The ADoR reported that the school refurbishment bid has been amended to reflect the removal of paving slabs due to very high shipping costs. The painting of the school and replacement drainage remains, with a total ask of £277,500K.

The ADoR explained that as the Residency is an AIG asset, AIG are responsible for its maintenance, the FCDO are responsible for only cosmetic works and any works needed to meet FCDO standards. The FCDO may make a contribution towards elements of planned works, however as it stands the full amount is being asked for from the AIG.

The ADoR confirmed that the billing mechanism used when charging for street lights is the numbers of lights, by 12 hours per day, by the wattage. The ADoR highlighted that some lights are 50 watt and some are 63 watts. Councillor Nicholls asked whether the multi coloured street lights being left on over a prolonged period of time increased the overall bill? The ADoR agreed to look into any associated costs and revert back.

Councillor Nicholls noted his concerns over the budget setting process, highlighting that the capital spend figures within the draft Appropriation Ordinance are unclear. The ADoR referred to the revised budget pack sent to Councillors following the most recent informal meeting of the Finance Committee which now refers to a capital spend of £1,637K.

Councillor Kerry Benjamin requested clarity as to why the Green Mountain project has increased from £34K to £69K, the ADoR explained that the new figure of £69K now includes £35K freight for the bitumen. The ADoR explained how freight is calculated and confirmed the following freight figures;

Bedford House project - £15K
Green Mountain Road project- £35K

Georgetown Pool project - £25K
Car Lifts - £3375.00
Extractors - £1350.00
Water Jets - £3500.00

Councillor Nicholls requested details on the cost breakdown of the refurbishment project of the Tennis Court in Georgetown into a multi use games area (MUGA). The ADoR explained that the proposed figures are based on initial consultation with suppliers and that efforts to gain exact figures would not be done until approval was given for the business case.

Councillor Nicholls explained that he is very happy to approve some things such as the health and safety equipment.

Councillor Nicholls highlighted that the reserves no longer cover a six month period, only a four month period. The ADoR explained that the external advice is that the AIG should hold reserves to cover a four month period only. With £3.9M forecasted as net current assets at the end of 2026 and a forecasted expenditure of £8.0M, reserves remain closer to a six month cover rather than four, however it was a step in the right direction of drawing down reserves. The ADoR explained that advice including from HE the Governor has indicated that reserves need to be reduced and that by reducing reserves external funding is likely to continue to be granted.

The ADoR explained that the estimated loss for the 2023/2024 financial year is not sustainable however, with so many unknowns around the future of Ascension and the reopening of the runway it is felt that this budget would only be appropriate for one year. If the AIG were to find themselves in the same position next year then curtailing of spending or alternative revenue streams would have to be found whilst considering advice from the economist. Councillor Nicholls requested the projected reserves figure for 2024/2025, the ADoR estimated £8.8M cash reserves with a net current of £9.6M.

2. Operational Budget Appropriation

The ADoR referred to sheet one in the budget pack that shows the forecast revenue within the budget proposals being 6.35% lower than that budgeted for in 2022/2023, and 20.6% lower than that forecast for the same year. The forecast lower revenue within the proposal takes account of an expected drop in revenues after the completion of the runway project and an expected reduction in contractors on island. The ADoR explained that for forecasting purposes any expected upturn on island as a result of the recommencement of the South Atlantic Airbridge has been accounted for cautiously.

The ADoR requested that an appropriation to the Consolidated Fund of £7,458K is made, noting an increase of £515K on the 2022/2023 financial year. The ADoR explained that much of the increase can be attributed to inflationary pressures brought about by rising global prices. This figure also includes the subsidised shipping between Ascension and St Helena. Also, of note, there is a proposal to support the supply of fresh produce to AIG employees, highlighting that AIG employees are amongst the very few who do not benefit from their employer having such a provision in place, therefore the funding to address this has been put aside in this budget. The figure requested would also see an increase to headcount across the AIG of 3 full time equivalent (FTE) however, it is noted that there has been savings made due to the downgrading of posts as they have become vacant.

The ADoR explained that whilst currently projections forecast an operating deficit of over £732K for the 2023/2024 financial year, this is deemed a prudent approach as we see the reduction in income tax revenue and face unknown avenues of income and expenditures with the return of the South Atlantic Airbridge to Ascension.

Finally, the ADoR noted that the figures have been inflated for future years up to the 2025/2026 financial year, however, this forecast does not account for any additional or significant investments in operational

capacity.

The ADoR asked each Committee Member in turn if they are happy to take the proposal for an appropriation of £7,458K for operational expenditure to the Consolidated Fund for the 2023/24 financial year forward as a recommendation to the Island Council?

	Proposal	Councillor Alan Nicholls	Councillor Kerry Benjamin
1	£7.458M for operational expenditure to the Consolidated fund for 2023/2024	Yes	Yes

The ADoR explained that in light of the strong level of reserves and obvious need for infrastructure improvements across the island, several business cases were brought forward for finance committee members consideration. Bids totalling over £1.6M included continued funding for Two Boats School estate improvement project, painting of public buildings in Two Boats, upgrading the Green Mountain Road, property maintenance, plant and equipment replacement including IT, and some community projects. Whilst other investments were discussed at the informal meeting of the Finance Committee, these have been paused for the time being and may be revisited later in the year as part of a Supplementary ask for funding.

The ADoR explained that discussions are ongoing with regards to the special funds set aside in the 2022/2023 financial year. The roads project will be brought back to the committee once there is a clearer idea on proposed amounts. It was confirmed that a new hospital will not be funded, therefore further renovations of the current building will be addressed as pre the Trident 2020 report, drawing on funds already set aside.

The ADoR thanked Finance Committee members for their scrutiny, feedback and suggestions on the proposed business cases.

The ADoR asked each Committee Member in turn if they are happy to take the proposal for an appropriation of £1.637K for capital expenditure to the Development Fund for the 2023/24 financial year forward as a recommendation to the Island Council?

	Proposal	Councillor Alan Nicholls	Councillor Kerry Benjamin
2	£1.673K for Capital Expenditure to the Development Fund for 2023/2024	Yes	Yes

3. Business Levy

The ADoR recommended that the Business Levy remain at the same rate as the previous financial year, noting that due to the expected reduction in income tax revenue following the completion of the runway project, and coupled with a series of unknowns once the runway is operational, the recommended approach is a cautious one.

The ADoR asked each Committee Member in turn if they are happy to take the proposal of leaving the business Levy at the same level for the 2023/24 financial year forward as a recommendation to the Island Council?

	Proposal	Councillor Alan Nicholls	Councillor Kerry Benjamin
3	Business Levy to remain at the same level for 2023/2024	Yes	Yes

There was no further business and the meeting ended at 17:40

Siobhan

Siobhan Stewart
Clerk of Council

I certify that this is a true record of the meeting to which it relates.

A handwritten signature in blue ink, appearing to be 'Catherine Leo', with a stylized, looped design.

Catherine Leo
Acting Director of Resources – Chair of the Finance Committee