

ASCENSION ISLAND GOVERNMENT

Clerk of Council's Office
Ascension Island
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Formal meeting of the Ascension Island Council

16:30 on Thursday 02 March 2023 at the Courthouse

MINUTES

Present:	HH Simon Minshull, Administrator Catherine Leo, Acting Director of Resources HE Nigel Phillips CBE, Governor [remotely] Attorney General, David Ballantyne [remotely]	Councillor Kerry Benjamin Councillor Kyla Benjamin Councillor Alan Nicholls Councillor Laura Shearer
In attendance:	Luke Atkinson, FCDO Desk Officer [remotely] Carl Mackerras, Head of the Administrator's Office Crown Counsel, Matthew James Siobhan Stewart, Clerk of Council Denise John, Clerk of Council	
Apologies:	Councillor Douglas Miller	

1. Welcome

HH the Administrator welcomed all parties and confirmed who was present for those attending remotely.

2. Approval of Minutes

Decision: The summary of the Informal Council meeting held on 12 January 2023 was accepted with one comment received. In accordance with the Council Rules these were agreed by Council members and published on 26 January 2023.

Decision: The minutes of the Formal Council meeting held on 26 January 2023 was accepted with no comments received. In accordance with the Council Rules these were agreed by Council members and published on 13 February 2023.

3. Matters arising

Matters arising were addressed via the actions tracker.

Blue Marine Endowment Fund: The Administrator confirmed that a call has been arranged for Councillors with the Blue Marine Foundation, who will be able to explain the fund management and performance. An update will be provided to Council following this call.

The Attorney General requested clarity as to whether the fund was public funds of Ascension, or not. The Administrator confirmed that this was an external fund set up for Ascension and linked to implementation of the Marine Protected Area Management Plan.

AIG Guest House: The Acting Director of Resources (ADoR) advised that the necessary tender documents were in progress. Councillor Nicholls requested clarity on who the document would be sent to. The ADoR explained that it would be publicly available, as well as a targeted approach to organisations who have experience of operating in remote island environments previously. The Administrator said there were also trade organisations/bodies that can be tapped into, to look at their membership and publish where their members can see as well.

4. 2023/2024 Operational Budget Appropriation

The ADoR explained that the process for setting the budget for the financial year 2023/24 started in December 2022 with an informal meeting of the Finance Committee.

ADoR explained that the level of AIG reserves held was the equivalent of 18 months of expenditure at year end 21/22, above the suggested of 4 to 6 months of expenditure. Given the strong reserve position the approach has been to plan for greater investment in capital improvements for consideration by the Finance Committee recognising that business cases for individual projects would still need scrutiny before spending is approved. Although the current forecast position is positive and sees the level of reserves reducing over the next 3 years, inflationary cost pressures were recognised, also cases for increases to budgets alongside operational headcount, but it was felt the need to prevent excessive increases to Operational Expenditure at this time.

The forecast revenue within the budget proposal is 6.35% or £454K lower than budgeted for 22/23 and 20.6% lower than forecast for the same year. This accounts for an expected drop in revenues after completion of the runway project, reduction in contractors on-island, seen through substantial fall in income tax and income from lease of property and use of stores and services. Forecasting any expected upturn on island as a result of the recommencement of the South Atlantic Airbridge has been accounted for cautiously.

The ADoR requested an appropriation to the Consolidated Fund of £7.458M, 7.4% or £515K increase on the 22/23 financial year. Much of the increase is attributed to inflationary pressures brought about by rising global prices. This includes an average 2% salary increase across AIG with those on lower wages receiving a higher percentage and the higher wage earners a lower percentage increase. There is also provision for funding of covid supplies previously funded by UK Government; decisions were made to subsidise shipping operations between St Helena and Ascension and keep the Business Levy at the current level; and a proposal to support the supply of fresh produce to AIG staff, to match similar arrangements in place for staff in other employing organisations on island. Funding has been put aside in this budget for the above items. There will be an increased headcount across AIG of 3 FTE, with savings in salaries through movement of staff and downgrading of posts.

The ADoR explained that the budget pack shows projections for cashflow forecasting an operating deficit for financial year 23/24 of over £732K with this current suggested appropriation. This is quite a significant move from the prior year where a surplus was budgeted. Figures have been inflated for future years up to 25/26 financial year, these figures do not account for any additional significant investments in operational capacity. It was recognised that this was not sustainable for future budgeting but as AIG was facing a year of uncertainty including any decision on the future of Ascension an economic approach was used for this budgeting purpose. ADoR advised there is currently an ongoing exercise by an economist from the FCDO studying the distribution of resources and services through analysing AIG data, researching trends and evaluating economic issues that will assist with future budgeting and modelling. In the meantime, reassurance was given that the operational budget presented today is appropriate for AIG's requirements in the upcoming financial year.

Councillor Nicholls requested clarity as to where the anticipated deficit would come from and whether it was appropriate to use reserves to prop up the consolidated fund. ADoR explained that the reserves would be used for this year only, recognising that this would not be able to be done continuously, but because there are so many uncertainties. Councillor Nicholls queried whether it was prudent to have increases, given that there is a deficit budget and thought reserves would only be used for capital projects. The ADoR said some of the increase this year is staff related to 180K, 132K is in shipping. Property Maintenance, plant maintenance, freight, are increases that can't be avoided because of global increases and need to be spent for services to continue. The Administrator said given the level of surplus it was hard to justify increasing the business levy given the level of reserves AIG have. If adjustments need to be made from April next year it's a decision that can be taken on evidence and advice from the Economist and Resources Dept. Councillor Nicholls agreed from the Finance Committee meeting that this is a one-off situation. The Administrator advised that this budget is effectively to take AIG through this year and not committing to anything beyond that.

Councillor Nicholls agreed with this position and noted it was essential to exercise caution. The Administrator said AIG has exercised a cautious approach by not using too much reserves; he felt it was hard to justify letting reserves sit and never use it, so they have to be used. The Administrator explained there is a significant capital allocation within the budget for next year built in, but it is risky to factor in too much capital projects when future

income streams are unknown. ADoR said the expenditure covers the current service. To reduce that expenditure so as not to have the £700K loss AIG would have to make changes now such as have less staff and provide a lesser service. Councillor Nicholls thanked the ADoR for the confirmation, and was satisfied this is a one-off situation utilising some of the reserves.

The Attorney General asked whether the operational budget included an external subsidy, it was confirmed Ascension was self-sufficient in this regard.

The ADoR asked each Councillor in turn if they are happy to take the proposal for an appropriation of £7.458M for operational expenditure to the Consolidated Fund for the 2023/24 financial year forward as a recommendation to the Governor?

	Proposal	KylaB	KerryB	LS	AN
1	For an appropriation of £7.458M for operational expenditure to the Consolidated Fund for the 2023/24 financial year to be taken forward as a recommendation to the Governor	Yes	Yes	Yes	Yes

All Councillors present accepted and recommended the proposal to the Governor for approval. HE the Governor agreed and accepted the proposal.

The ADoR put forward the proposal for an appropriation of £1.673m for capital expenditure to the Development Fund for the 2023/24 financial year and said in light of the strong level of reserves and obvious needs for infrastructure improvements across the island, AIG have bought forward several projects for consideration. The Finance Committee have provided scrutiny and feedback on proposed projects, with a review of each business case with added suggestions where applicable.

Sheet 5 of the budget pack summarises capital bids being bought forward for funding approval totalling just over £1.6m. These bids include requests for continued funding for a school estate improvement project, painting of public buildings in Two Boats, and the Green Mountain Road. There are additional requests for property maintenance, in particular staff accommodation improvement and plant and equipment replacement including IT, all of which improves efficiency as well as addressing health and safety. There are also community projects that tackle social areas in English Bay and the NASA site, and the continuation of upgrading community facilities provided for youth and sporting with a focus this year in Georgetown, on the back off the approval of playground equipment in Two Boats in the previous year’s budget.

ADoR advised that other investments discussed at Finance Committee Meetings were paused for the time being, and will be revisited during the year as part of a supplementary ask for funding. This will also include the position on the special funds set aside in 22/23 for hospital and roads improvements. As a new hospital will not be funded, further renovations of the current building will be addressed as per the Trident 2020 report. Discussion on road works are ongoing with external contractors and this will be brought back to the Finance Committee at a later date.

Councillor Nicholls enquired about the requests for addition supplementary funding and what this would be for. ADoR explained that costs were still being explored for the roads project. There was also a need to get a vehicle fleet programme of replacement in place, including some requests from sea rescue from a recent report carried out.

Councillor Nicholls asked if the roads are considered with a maximum figure in mind or just seeing what can be done. ADoR said they were taking advice on that and seeing what can be done per square mile/km and what is affordable. The Administrator added they were aware of the area of roads needing attention and getting this costed so they have better idea on how this will be phased and will come back to council on advice on that. Councillor Nicholls said at a Finance Committee meeting last year it was decided to ring fence certain amounts for specific purposes, so that it could be seen that something was being done with the reserves.

Another figure had been put aside for the hospital – it was agreed, this time, that an amount could be taken from this special fund to effect repairs at the hospital; so that the money was not just sitting there, but the amounts put there to assist with a decision in the future.

The Administrator said decisions would be made about what is affordable within that overall envelope. The principle last year of ring-fencing money for those infrastructure projects was correct but there was a need to be able to get a better handle on cost's and affordability that's why ADoR adjusted it down in this budget to reflect what would be spent on capital, knowing that's what AIG would be able to spend in the year.

The ADoR asked each Councillor in turn if they are happy to take the proposal for an appropriation of £1.673m for capital expenditure to the Development Fund for the 2023/24 financial year forward as a recommendation to the Governor?

	Proposal	KylaB	KerryB	LS	AN
2	For an appropriation of £1.673m for capital expenditure to the Development Fund for the 2023/24 financial year to be taken forward as a recommendation to the Governor	Yes	Yes	Yes	Yes

HE the Governor acknowledged Councillors recommendation and accepted, thanking Councillors for their advice.

5. Business Levy

ADoR asked Council Members to recommend leaving the Business Levy at the same rate as the previous financial year. ADoR explained that the completion of the Runway project means there will be a significant reduction in income tax revenue, and coupled with a series of unknowns once the runway is operational, potential revenue streams remain uncertain. Whilst AIG cannot see any way to offer any further reduction on the levy as was offered in 22/23, the acceptable approach at this time was to leave at the current level of £ 1.6M.

The ADoR asked each Councillor in turn if they are happy to take the proposal of leaving the Business Levy at the same level forward as a recommendation to the Governor.

	Proposal	KylaB	KerryB	LS	AN
3	The proposal of leaving the Business Levy at the same level to be taken forward as a recommendation to the Governor	Yes	Yes	Yes	Yes

HE the Governor acknowledged Councillors recommendation and accepted, thanking Councillors for their advice.

The Attorney General asked in accordance with Section 3 (b) of the Business Levy Ordinance if two thirds of the business levy are met by the UK Government. The ADoR confirmed this was correct, and the balance by BBC & Sure based on average headcount taken by census figures. Crown Council confirmed it was in the Business Levy Ordinance how that would be calculated. Originally companies paid property tax, the Business Levy was introduced based on headcount as a replacement for this taxation and was a reliable source of income. The business levy was bought down last year at £1.6M and left at this level this year.

Subject to two minor amendments, the Crown Counsel asked Council members if they agreed both Ordinances reflected the budget voted on.

The Council accepted both Ordinances and recommended them to the HE the Governor.

HE the Governor acknowledged Councillors recommendation and accepted.

The ADoR thanked the Finance Committee members for their hard work and contributions throughout the difficult process, and thanked the Island Council for the decisions made here today.

6. Runway Project Update

The Head of the Administrator's Office advised that the runway works are nearing completion and expect it to be closed fully early next week for nine to 11 days in order to take away existing markings, re-mark the runway and install revised navigational aids. The closure is not expected to have any adverse effect on the C17 or Airlink flights. There is no exact date for the FAA certification but it is hopeful it can be done in early April.

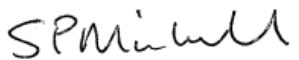
7. Any other business

- 1. Shipping Arrangements between St Helena and Ascension:** Councillor Nicholls enquired about shipping arrangements between St Helena to Ascension and when the first call would be expected. The Head of Administrator's Office advised that a contract is expected to be signed in the next day or two and a Public Notice will be issued shortly after with details. The first call is expected approximately 16 May, then 7 September and 4 December 2023. It was confirmed that there were no delays and the ship should be on schedule. The Administrator confirmed that along with the ADoR and Crown Counsel's approval, the contract can be signed and any ancillary issues about the contract needed with Solomon's, St Helena for the handling of cargo etc will be worked through. As was previously committed to with council, AIG will be looking at the revenue derived from the first call, then take a decision in terms of freight rates for the second voyage and again review for the third voyage, as full charter costs of the ship are being incurred by AIG.
- 2.** Councillor Nicholls thanked the Director of Operations, David Mills and his team for the Public Notice issued asking the public not to use road short cuts in Georgetown.

There was no further business and the meeting ended at 17:30

Denise John
Clerk of Council

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



Simon Minshall
On behalf of HE the Governor, Mr Nigel Phillips CBE