



Formal meeting of the Ascension Island Council Finance Committee

1730 on Wednesday 02 August 2023 at the Court House

MINUTES

Present: Catherine Leo, Acting Director of Resources

Councillor Kerry Benjamin
Councillor Alan Nicholls
Councillor Kyla Benjamin

In attendance: Director of Operations & Facilities, David Mills
Project Manager, Frikkie Myburgh
Facilities Manager, Arndt Herrmann
Dentist, Wayne Badier
Siobhan Stewart, Clerk of Council

1. Welcome

The Acting Director of Resources (ADoR) welcomed all parties and explained that following the recent informal meeting of the finance committee, the Supplementary Appropriation was now ready for formal consideration, as well as updates on two business cases.

2. 2023/24 Supplementary Appropriation

The ADoR explained that three supplementary bids are being brought before the committee for formal recommendation to the Island Council. Two requests were for replacement vehicles for the Plumbers and the Mason, and the final one to upgrade the pumphouse at Two Boats swimming pool.

The ADoR explained that the vehicle currently allocated to the Plumbers can no longer be used due to severe corrosion and needs to be replaced with a more suitable four-wheel drive vehicle with tool/material storage. The Masons vehicle was reported to have similar issues, with the vehicle being so old that parts were now becoming obsolete. It was recommended that the Masons vehicle be replaced with a vehicle that is more suited to the trade and transportation of plant equipment and heavy materials, such as an IVECO Daily Tipper.

The ADoR provided an overview of the current pumphouse at the Two Boats swimming pool, highlighting the age of the existing pumps and their resulting failings. It was recommended that more contemporary, energy efficient pumps be purchased to replace the existing ailing ones. The importance of Two Boats Pool to the community was noted, with the ADoR offering reassurance that every effort would be made to avoid any closure periods during the changeover.

The ADoR confirmed that the total amount to be recommended today was £90k, which is on top of the £1.6M that was approved earlier in the year, increasing the Development Fund expenditure to £1.7M for 2023/2024.

Councillor Nicholls requested clarity as to whether delivery to Marchwood costs were included in the quotations, the ADoR confirmed that these costs were included in the quotation provided to Councillors. Councillor Nicholls explained that recently in Saint Helena, funds were diverted from the Consolidated Fund to the Development Fund where they knew there was going to be underspends in the budget. Councillor

Nicholls asked whether Ascension’s current financial projections anticipate any underspend at the end of this financial year, the ADoR confirmed that early indications do not show any substantial savings to compensate for the additional Supplementary Appropriation requested.

The ADoR asked each Committee Member in turn if they are happy to take the proposal for a Supplementary appropriation of £90K for Capital Expenditure to the Development Fund be taken forward as a recommendation to the Island Council?

	Proposal	Councillor Alan Nicholls	Councillor Kerry Benjamin	Councillor Kyla Benjamin
1	£90K for Capital expenditure to the Development Fund for 2023/2024	Yes	Yes	Yes

3. Business Case – Dental Refurbishment

The ADoR introduced the business case for the upgrading of dental equipment at the Dental Clinic in Georgetown. The ADoR explained that no additional funds were being requested in this case as the funding for this project will come out of the special funds that have already been approved for the Georgetown Hospital. However, it was agreed that prior to any spending of the special funds, business cases would be brought to the Finance Committee for information and comment.

Councillor Nicholls requested clarification on the Dental Cart specifications. The Dentist, Dr Wayne Badier explained that the current dental cart is of such an age that many of the parts are now obsolete and in need of replacement. The Dentist reported that dental surgeries are typically equipped with an integrated dental unit comprising of the dental operatory light, orthodontic dental chair, aspirator and the dental cart all in one unit, however if one component of the dental unit were to require repair, it would render the entire unit unserviceable and likely in need of a specialised technician. Therefore, in the AIG Dental Clinic the light, chair, suction and cart are separate units to avoid intricate repairs and any interruption of service to patients where possible. The dental cart quoted for procurement is an active therapeutic device intended for the exclusive use for diagnoses, treatments and procedures of dentistry. It was confirmed that following replacement, the older dentistry equipment will be retained for back up purposes.

Councillor Nicholls asked why the current Surgical Drill needed replacement. The AIG Dentist explained that whilst the current surgical drill is operational, similarly to the dental cart, the drill and its components were becoming obsolete and in need of modernisation.

The AIG Dentist provided an overview of the dental clinic refurbishment plan highlighting that specialist products have been procured, such as flooring, and are expected to arrive on the August FIRS, ensuring that minimum dental standards are upheld. This refurbishment is expected to begin in September 2023, whilst a temporary surgery will be used within the dental clinic during the refurbishment, the Dental Service will be limited to dental emergencies during this period.

Councillor Nicholls asked whether the x ray equipment was operational and in need of replacement. The Dentist confirmed that the x ray equipment was fully operational and was not expected to require replacement in the near future. The Dentist noted that he will be on overseas leave during October and November 2023 and that locum cover arrangements were being made.

Discussion was had regarding the forecast increase in the annual budget for maintenance and consumables of £6750.00. The ADoR confirmed that this would be addressed in the operational budget setting.

Councillors Nicholls asked whether freight was included in the projected costs of the dental equipment. The ADoR confirmed that freight was not included in the £35K, however with freight added the overall cost was

not expected to exceed £40K.

4. Business Case – Residency Update

The ADoR introduced the business case for the refurbishment of the Residency following the £207K set aside and approved by Council during the 2023/2024 budget setting in March 2023. The ADoR acknowledged that at that time it was agreed that the Finance Committee would be informed prior to any works taking place to confirm the division of costs between the FCDO and the AIG.

The Projects Manager (PM) explained that the Trident Report completed in 2019 identified issues primarily in the two adjacent cottages to the main Residency building, however since then significant deterioration has been identified in the main Residency building. The PM highlighted that as the Cottages are used for storage rather than occupancy, resources and efforts would be prioritised to the main Residency building, with only internal and external painting being completed in the Cottages.

Councillor Nicholls requested clarity on why AIG labour costs were being annotated for the removal of the old kitchen and laying of new tiles in the Residency kitchen, noting that AIG already pay the wages of its workforce and is covered within operational budgets. The PM explained that the figure of £1.8K was listed as a potential contractor cost of labour, however assurance was given that AIG labour would be used during the normal working day where possible to reduce costs. Further discussion was had regarding additional opportunities for savings, such as reusing products leftover from recently completed projects. The ADoR explained that whilst materials that have been purchased through the Capital Programme for previous projects, costs would still need to be reallocated to the relevant Capital Project.

Councillors Nicholls asked whether freight was included in the £97K figure for materials to refurbish the Residency. The PM confirmed that the figure did not include freight, however freight costs were not expected to surpass the £207K budget that has been set.

The ADoR requested that Councillors consider the suggested changes of prioritising works in the main Residency building instead of the cottages where only internal and external painting would be done. Councillor Nicholls, Councillor Kyla Benjamin and Councillor Kerry Benjamin confirmed they were content with the proposed changes.

Councillor Nicholls requested clarity on the suggested negotiations referred to in the breakdown of costs document provided to Councillors. The PM explained that invitations to tender are expected to go out next week where AIG will negotiate the best value for money agreement with the winning contractor.

Councillor Nicholls noted the £10K cost associated with the sandblasting of the stone wall of the Residency and requested further details. The PM explained that the £10K is listed as a cost to AIG to cover the contractor labour costs to complete the works.

Councillor Nicholls thanked the PM for his hard work and for achieving a projected underspend.

5. 2022/23 Financial Statement Update

The ADoR reported that the financial statement for 2022/2023 is currently forecast to show a profit of £362K, however the figure is likely to change as income tax assessments are completed, corporation tax figures are calculated and any other adjustments following the audit process. It was noted that the figure of £362K is inclusive of depreciation, if depreciation were to be removed the total income would be forecast to be £1.2M with £126K profit.

The ADoR highlighted the revenue streams that have been lucrative such as income tax revenue which was up by £900K, shipping handling charges, coin sales and the recharging of medical fees following the implementation of the Employment Ordinance 2022. It was also noted that savings were made in relation to

staff costs where positions were vacant for periods of time, as well as an underspend on utilities and lower than expected consultancy fees.

The ADoR noted overspends in some areas, such as freight costs, pathology testing, overseas medical referrals and overall maintenance costs, although it was highlighted that maintenance costs are often up one year and down the following.

Councillor Nicholls asked whether the significant rise in income tax revenue was due to runway contactors. The ADoR confirmed that it was, however noted that that revenue stream has now gone. The ADoR also highlighted that runway project related marine vessels did not have to pay light dues, however visiting yachts and other non-military marine vessels visiting Ascension are charged.

Councillor Nicholls raised some concerns over the valuations of property in Ascension, noting that a figure was indeterminable due to the lack of a property market here and the no right of abode in Ascension. The ADoR explained that the in 2002 when the Ascension Island Government was formed an evaluation was carried out on the properties on island, and again in 2008. The same formula is used today to come to a valuation figure, this process considers the size of the area, type of roof on the property and the ultimate replacement cost. The ADoR confirmed that this issue has been raised by the Auditors also and consideration is being given to a new property evaluation process being applied, however a subject matter expert would need to be engaged in consultancy. Councillor Nicholls explained that the property value often gives the impression of an inflated figure when looking at the overall reserves figure of £24-£25M, considering the property cannot legally be sold. The ADoR agreed to provide an internal spreadsheet for Councillors to view with the removal of property values, however property would still need to be included in the formal financial statements.

The DoOF (Director of Operations and Facilities) reported that a specialist contractor is due to visit Ascension in October 2023 to survey the islands road network as the Capital Fund will not cover the entire ring road to be repaired/replaced, therefore a process of prioritisation will be required. The DoOF explained that this is likely to highlight Hogans Bypass and the Road connecting Two Boats to Georgetown, via Needles Road as priorities. The PM confirmed that the initial report is likely to be ready in around two to three weeks following the visit, followed by more detailed plans and proposed costings within three to six weeks. Further discussion was had regarding the potential use of slurry material, however the DoOF reported that the use of slurry is only recommended for a surface seal solution, whereas the road network on Ascension needed a deeper, more long-term solution.

6. 2023/24 Q1 Update

The ADoR explained that the Q1 report is showing an initial loss of £30K comparable to budget, however at this early stage in the financial year it is often difficult to get a true picture. This is due to annual insurance bills being deducted at the beginning of the financial year, as well as estimated costs being applied to utility bills and forecast coin sales. The ADoR confirmed that following the completion of Q2 a more accurate indication for the financial year will be available for committee members to view.

The ADoR noted that £164K has been spent from the £1.6M Development Fund for Q1, although projects relating to the Development Fund is expected to be discussed at the Public Works Committee.

Councillor Nicholls requested an update on the unpaid Corporation Tax due to the AIG, the ADoR explained that the amount is being chased on a weekly basis with further options being considered to resolve the unpaid debt as soon as possible.

Councillor Nicholls requested clarity on how redundant stock is dealt with in AIG Stores. The ADoR confirmed that existing processes are in place to calculate redundant stock values, with some items being destroyed and some kept as potential backups.

Councillor Nicholls asked whether a value was now being calculated for stock holdings of medical supplies. The ADoR confirmed that an accurate and well managed stock of pharmaceutical items is held at the hospital, previously stock was expensed financially upon purchase rather than each time an item is dispensed from the pharmacy physically. Following an Audit in 2020/2021 it was insisted that the stock held at year-end is recognised in the balance sheet rather than expensed. The ADoR confirmed that processes were amended following the Audit in 2020/2021 and noted that there is always going to be wastage due to expiry dates and the need to hold sufficient supplies of certain medications. Councillor Nicholls requested an estimate figure of the hospitals current stock holding, the ADoR confirmed that the figure varies between £75K to £120K, however this figure also includes dry stock such as dressings, gloves etc. Councillor Nicholls asked whether stock was still being stored at the AIG Guest House. The ADoR confirmed that a small area of the AIG Guest house is used for storage of hospital dry stock however following the hospital refurbishment there will be sufficient storage for this stock to be stored at the hospital itself.

The ADoR reported that the first fresh produce order for AIG employees and families was very well received, with the second order expected to arrive on the August FIRS. The ADoR offered her thanks to the Committee for agreeing to include this provision in this year's budget.

The ADoR confirmed that following the arrival of the Maria Da Paz on the 31 May 2023, costs came in lower than originally forecast. Whilst the outcome of the first call was better than anticipated, it is not expected that AIG or any other island user will bring in this volume of freight on the next call and total freight collected will undoubtedly reduce. It was agreed that rates for the second voyage of the Maria Da Paz would remain the same as the first voyage. The ADoR confirmed that discussions are underway for the third voyage to arrive in Ascension around the 11 November 2023, with rates yet to be decided.

The ADoR explained that the AIG has taken the decision to move funds from the BoSH account where an interest rate of 0.6% was offered, to the UK Lloyds account where a higher interest rate of 2.9% is now available. Interest is now paid on a monthly basis, rather an annual basis, resulting in a £15K payment for the month of June, compared with an annual payment of £48K for the last financial year. Councillor Nicholls thanked the ADoR for this update, noting that it was a very sensible decision.

7. Any other Business

There were no items of other business.

The ADoR thanked the Finance Committee members for their hard work and contribution. The Committees recommendations will be brought before the Island Council in September.

There was no further business and the meeting ended at 18:30

Siobhan

Siobhan Stewart
Clerk of Council

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



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