

**FINANCE COMMITTEE
ANNE FRENCH ROOM
18th April 2023
13:00**

Mr I Carter (IC), Chairman
Mr B Abel (BA)
Mrs L Maurice (LM)
Mr N Vooght (NV)
Mr B Woodhead (BW)

Mrs E O'Toole, Acting Head of Finance (AHoF)
Mr J Laband, Project Support Officer (PSO)

In attendance:

- Mr S Taylor, Strategic Financial Advisor (SFA)

Apologies:

- Mrs E A Maurice, Temporary Chief Executive (TCE)

Declarations of interest:

- Mr I Carter – Alderney Bird Observatory Grant
- Mr I Carter – Alderney Society Grant

16/2023

Matters Arising

16.1 Confirmation of Minutes & Confidential Annexure from the meeting held on the 30th January tabled and approved.

17/2023

Accounts 2022

17.1 States of Alderney Revenue & Capital Accounts 2022 – Report from the Acting Head of Finance and supporting documentation tabled and discussed.

The AHoF advised that the Accounts show a £863K underspend for 2022 which contributes towards the States' reserves. This will assist to fund the deficit budget in 2023 as well as any future budget variations. It was also noted that the deficit within the pension fund has decreased significantly based on the actuarial assumptions, net of investment fluctuations.

Mr Abel queried the position of the appointment of a pension adviser given the previous deficit of approximately £5M and although the deficit has decreased significantly there is potential risks for it to fluctuate again in the future. It was noted that the Pension Trustees had considered the option to recruit an additional independent Trustee with specialist industry knowledge. Noted that there are 2 trustees, the TCE and the Chairman of Policy and Finance, and that a meeting is due to take place shortly which will consider the need for further resource.

It was noted that there were some unexpected increases in costs post pandemic such as fuel and electricity and that budget holders are minded of the potential further increase in expenditure. **Noted**

It was queried how the States will monitor the expenditure from Alderney Community Support Limited. It was advised that the Head of Alderney Care will be providing quarterly reports of what the current position is regarding income and expenditure for the IMC and the forecast outturn for primary care. Arrangements will be made to report this back to the Policy and Finance Committee and the Finance Committee given the significant amounts.

Mr Vooght advised that he has requested further clarification on the Accounts with the AHoF prior to agreement and submission to the States of Alderney Billet. Noted that the AHoF will meet with Mr Vooght to discuss.

There was discussion around the transition to a more recognised accounting standards which is currently being implemented by the States of Guernsey. The Chair proposed that this accounting model should be utilised in the future and for further enquiries to be made with the States of Guernsey on what steps could be initiated to start the process to ensure we are not playing catch up and can implement any changes in a planned manner.

AHoF

The Committee resolved to:-

- a. note the States of Alderney Accounts 2022;**
- b. note the Audit Findings Report 2022;**
- c. agree to submit the States of Alderney Accounts 2022 to the Policy and Finance Committee for approval subject to further review by the Chair of Policy and Finance Committee and the Acting Head of Finance prior to submission to the States of Alderney Billet; and**
- d. to determine a plan to transition to an internationally recognised accounting process in the future.**

NV/ AHoF

17.2 Water Board Financial Statements 2022 – Report from the Acting Head of Finance and supporting documentation tabled and discussed.

It was noted that the Water Board Financial Statements were presented and approved at the General Services Committee meeting on the 14th April 2023. The Water Board continues to operate within its budgets and the revenue account reported a surplus of £97k for 2022. Three capital projects were completed in 2022 for the continued upgrading of the distribution network around the island.

The Balance Sheet position is also very positive with an accumulated balance of just over £1M at year end. This will not only provide the Water Board with the provision to manage future contingencies but to fund future capital works, as agreed by the States during budget process in 2022.

The Committee resolved to note the States of Alderney Water Board Financial Statements 2022.

17.3 Audit Findings Report – States of Alderney & States of Alderney Water Board – Report from Grant Thornton tabled and considered.

It was noted that the report represents a clean unmodified opinion and there were only two points raised by the auditors in relation to the debtors and stock within the Water Board accounts, one of which was determined to be an administrative error.

It was further noted that Treasury is awaiting a report from the auditor's actuaries to confirm that there is no misunderstanding of interpretation of the assumptions made on the pension scheme. The report and letters of representation will be circulated to the Committee once received.

It was raised by the Auditors that there is concern that the capital expenditure exceeds the capital income for the year in question however this risk is mitigated by a reserve built up from previous underspends to address this in the short term. It was noted that this is not a viable long-term strategy, but the short-term approach is not considered to be a risk.

Noted

18/2023

Administration

18.1 Mandate Review – Draft Mandate from the Chairman circulated by email, tabled and considered.

Mr Vooght indicated that he was content with the draft Mandate subject to a small number of amendments that would address any potential duplication.

It was proposed that the Committee should be renamed “The Finance Group” and should have three States Members appointed to it.

It was noted that the remuneration of staff is the function of the Employment Board and should not be part of the Finance Group.

Mr Abel queried whether the Chair of the Policy and Finance Committee should be a part of the groups given the reduction of numbers on the Group and to avoid a conflict. Mr Vooght suggested that any Chair of PFC should not be excluded from the proposed Finance Group given that the responsibility for signing the States of Alderney Accounts.

It was queried why there is such an extensive process around the approval of grant funding and it was proposed that the General Services Committee should have the same budgetary authority (£5k) in relation to grant funding as the Economic Development Committee in a bid to avoid duplication of work and unnecessary delays in approvals. To address this, the suggestion was made that a paper be submitted to PFC with recommendations to delegate authority of grant funding to the relevant Committees and the Treasury department to determine the thresholds at which they may award funding subject to existing scrutiny applications by the SFA. It was highlighted that any grant over £5k would still need to be considered by PFC and anything under £1k, including waivers of fees for below that amount, is delegated to Treasury to process as previously agreed.

The Project Support Officer was directed to withdraw the draft mandate item from the April Policy and Finance Committee and for it to be tabled at the May meeting for consideration, along with the election of Members, instead.

The Finance Committee resolved for a paper to be produced and tabled at the Policy and Finance Committee to consider the delegation of authority in relation to grant funding.

PSO/ AHoF/ SFA/ PFC

19/2023

Revenue Account

19.1 Management Accounts Summary – March 2023 tabled and noted.

It was noted that the quarter 1 interest rate update has been received for a reserve account which has come in at £62k and March fuel duty has come in at approx. £30k which does not feature in the summary.

It was highlighted that there was no income currently from APT as it is billed in March and receipts are received from April onwards, therefore the current deficit is showing as £898k.

Mr Abel queried whether the APT figures in the Major Income report could be profiled over a period of 8 months as opposed to 12, to more accurately reflect budget vs actuals.

Noted AHoF will commence meetings with budget holders to start forecasting the projected year-end position as well as revised budgets for 2023, as part of the budget process. **Noted**

19.2 Major Income Monitoring Report – Report from the Acting Head of Finance tabled and noted.

It was noted that Property Transfer Duties and Document Duty is down on budget as the property market has slowed down. **Noted**

19.3 New Revenue Income Streams – verbal update from the Strategic financial Adviser on ongoing matters.

Following the previous meeting, the TCE and SFA met with the States of Guernsey Treasury regarding the proposed scheme to raise TRP on second homes. It was noted that the States of Guernsey is not considering this proposal at the moment but is focusing on disincentivising long term development properties.

The previous Committee direction to review APT on second homes was discussed. Members challenged this proposal as the administration may be significant for possibly only a small return. **Noted.**

19.4 Budget 2024 – initial discussion/ principles The Chair introduced this as an early opportunity to discuss the 2024 budget as this discussion was held later on in the year during 2022.

It was noted that a 5% - 10% reduction of service exercise is being explored but it was noted that such percentage savings may not be sufficient in terms of addressing the current deficit. Mr Vooght queried why the exercise is being pursued as in his opinion it is not a good way forward as it would implement cuts on both non-essential and essential services. It was noted that to implement the exercise it would require extra resource and would require additional discussion with budget holders as this exercise may impede the determining of the actual budget strategy which is proposed at a similar time as the 5% - 10% modelling would be.

The Finance Committee resolved:-

- a. **that once the first draft budget for 2024 is produced, for a meeting to be held between all Committee Chairs and Treasury to discuss and consider; and**
- b. **that the 5% - 10% budget reduction exercise should be raised again at the next Policy and Finance meeting on 24th April for discussion.**

TREASURY/ BUDGET PROCESS/ PFC

20/2023

Capital Account

20.1 Capital Projects Monitoring report tabled and discussed.

The AHoF noted that there were a number of projects ongoing and that if there was a date assigned to the project this means it is ongoing. All other projects are as per the capital programme however would be required to go through the normal process to determine costs and receive relevant approvals.

It was queried whether a full capital review is required as there are a significant number of projects at a large total cost. It was suggested that the affordability should be assessed and each of the projects require prioritisation from the lead Committees.

The Finance Committee resolved:-

- a. **to request all Committees to review their capital projects and assess affordability and prioritise those projects accordingly; and**
- b. **for the longer term (5-year) capital programme to be tabled at the next Finance Committee meeting for review.**

AHoF/ PM/ ALL COMMITTEES

21/2023

Economic Development Reserve

21.1 EDR Summary & Projects update – March 2023 tabled and noted.

The AHoF noted that the only significant expenditure from the fund will be the Seasonal Ferry Service Subsidy this year. There was also a suggestion for a further review of the fund as it carries forward a significant amount of underspend from previous years.

It was noted that a review of the fund took place last year and an additional review may be required as well as consideration to be given to the renaming of the fund more appropriately. **Noted**

The Chair raised that that a request had been lodged from the Tourism and Marketing Department to EDC for an additional £10k allocation for promotion of tourism at external events however further consideration on whether this could be funded from general revenue was suggested. **Noted**

22/2023

Delegated Items – Grants

22.1 Alderney Bird Observatory – Grant Support referral from GSC report from the SFA and supporting paperwork tabled and considered.

The SFA provided an overview on the application suggesting that it was for the Committee to exercise its discretion to determine an appropriate level of grant funding. It was noted that GSC had given their support for this application at their meeting of the 17th March 2023.

Mrs Maurice highlighted that the equipment would be used on a repeat basis and would serve other additional projects should the grant funding be approved.

The Committee (Mr Carter abstained) resolved to agree a grant of £4,950 for the purchase of specified equipment to enable the Alderney Bird Observatory to participate in the Euro Constant Effort Site research project.

TREASURY

22.2 Alderney Museum – Grant Support report from the SFA and supporting paperwork tabled and considered.

The SFA noted that the application was to pay for the insurance for the Museum. However, following a previous application that was rejected, the Alderney Society were asked to provide a longer-term plan for the Museum that would identify ways to make it sustainable. In the absence of this longer-term plan and evidence of a significant level of reserves, it is recommended that the Committee should not approve the grant application and to request a long-term plan for the Museum as per the previous request.

The Committee resolved to agree (Mr Carter abstained):-

- a. **To not award a grant to the Alderney Museum as the Alderney Society holds sufficient free reserves and the organisation therefore does not qualify under the Standard Grants Criteria; and**
- b. **Requests a longer-term plan to be presented in support of any future grant applications and a reserves policy.**

TREASURY

22.3 Alderney Dig – Grant Support report from the SFA and supporting paperwork tabled and considered.

Noted that the application received from Dig Alderney was to contribute to post excavation works planned for 2023 and the requested funding would cover 2 phases to the project.

The Committee resolved to agree (Mr Vooght against) to award a grant of £4,500 to Dig Alderney as a contribution to the post excavation works planned in 2023.

TREASURY

23/2023

Delegated Items – Coins

23.1 Coin issue for ratification see confidential annexure.

23.2 Coin Issue for approval see confidential annexure.

23.3 Revised Coin Issue for approval see confidential annexure.

- 24/2023** **Delegated Items – Stamps**
24.1 Stamp presentation pack for St Anne’s School (King’s Coronation) see confidential annexure.
- 25/2023** **AOB**
It was agreed that the next meeting will take place as planned on 15th May.
- 26/2023** **For information & noting**
- Price Paid Data Q1 2023 – It was noted that there is now a plateau in the sale of houses on island, as was expected following previous years exceptional sales.

Meeting closed: 14:40pm

Signed: Mr I Carter, Chairman

Date: 15th May 2023