

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: FIMCo Overdraft Guarantee
Paper No: 172/09
Date: 20 August 2009
Report of: FIDC – Interim Financial Controller

1.0 Purpose

- 1.1 To seek approval of the £400,000 FIMCo overdraft facility which is to be guaranteed by FIDC.

2.0 Recommendations

- 2.1 That ExCo approve the £400,000 overdraft facility and that FIDC be allowed to guarantee this overdraft facility.

3.0 Summary of Financial Implications

- 3.1 None

4.0 Background

- 4.1 FIMCo requires an overdraft of £400,000 to cover its working capital investment, particularly during FIMCo's busy period running from December to April each year. Standard Chartered Bank plc ("Standard Chartered") has indicated its willingness to provide such a facility provided it is guaranteed by FIDC.
- 4.2 The attached analysis in appendix 1/1 provides a cash flow projection for FIMCo covering the financial year 2009/10. This indicates that a £400,000 overdraft facility will be sufficient to cover FIMCo's working capital needs.
- 4.3 Standard Chartered has yet to provide terms for extending this facility although preliminary discussions with them suggest that the interest rate will be three per cent over base plus a facility fee equivalent to half of one percent of the proposed facility (i.e. £2,000).

4.4 FIDB reviewed and approved this on behalf of FIDC at its most recent Board meeting on 4th August 2009.

5.0 Financial Implications

5.1 None – FIMCo does not expect to require the overdraft funds to be paid by FIDC or FIG.

6.0 Legal Implications

6.1 The Finance and Audit Ordinance requires the consent of the Secretary of State to the granting of any guarantees by FIG. How this provision should operate in practice is under review by the Foreign & Commonwealth Office in conjunction with Treasury.

6.2 The Foreign & Commonwealth Office view is that, when considering FIG's actual and contingent liabilities, account must also be taken of the actual and contingent liabilities of those organisations for which FIG is legally responsible, which includes statutory corporations such as FIDC and FLH and any companies wholly-owned by FIG or its statutory corporations.

6.3 Pending agreement between FIG and the Foreign & Commonwealth Office on the circumstances within which the Secretary of State's consent should be sought to a particular guarantee, it is recommended that the Secretary of State's consent be sought to the current guarantee which FIDC proposes to grant to Standard Chartered Bank to secure an overdraft facility to FIMCo.

7.0 Human Resources Implications

7.1 None