

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: Stanley Dairy Limited – Confirmation of utilisation of financial assistance provided by FIDC.
Paper No: 207/09
Date: 17 September 2009
Report of: David Waugh - GM FIDC

1.0 Purpose

- 1.1 To seek approval for the utilisation of the financial assistance provided by FIDC to Stanley Dairy Limited during the three financial years 2006/7, 2007/8 and 2008/9. The proposed treatment differs from that previously approved by ExCo in paper 084/08.

2.0 Recommendations

- 2.1 That ExCo approve the utilisation of the financial assistance provided by FIDC during the financial years 2006/7, 2007/8 and 2008/9 used to support the loss-making operations of Stanley Dairy Limited (“Stanley Dairy”). The application of this financial assistance differs from that previously approved by ExCo.

3.0 Summary of Financial Implications

- 3.1 None

4.0 Background

- 4.1 In ExCo paper 84/08, it was agreed that FIDC would provide the following financial assistance to Stanley Dairy in order to sustain its loss-making operations:

2006/7 financial year - £47,238
2007/8 financial year - £56,091
Total - £103,329

- 4.2 It is now apparent that the above-mentioned financial assistance was applied to sustaining Stanley Dairy’s operations in different financial years to that approved by ExCo as shown below:

2006/7 financial year - £79,539 - Granted in 2005/6 but part-applied in 2006/7

2007/8 financial year - £47,238 – Granted in 2006/7 but applied in 2007/8
2008/9 financial year - £30,891 – Granted in 2007/8 but part-applied in 2008/9
Total £157,668

- 4.3 The total financial assistance provided of £103,329 as noted in 4.1 above was extracted from ExCo paper 84/08. The total financial assistance of £157,668, as set out in 4.2, was extracted from the various statutory accounts of Stanley Dairy.
- 4.4 The above numbers agree to the paper submitted to FIDB on 4 August 2009. It is apparent that the subsidies were either partly or wholly applied in different years to which they were intended to be used. The previous version of this paper tried to line the figures up by apportioning them, which clearly caused confusion because of the different years in which the subsidies were applied. The foregoing figures are a non-adjusted factual representation of how the funds were applied.
- 4.5 Whilst the funding was approved in a particular year, it is evident that the funds were either part or wholly used in the following year. There has been insufficient direction in the use of these grants in specific years.
- 4.6 The above information is based on Stanley Dairy's accounting records. It should be noted that neither ExCo nor FIDB explicitly approved any financial assistance for 2008/9. As the financial assistance was granted retrospectively by ExCo, it is clear that there was some operational confusion by the Company and FIDC as to how this was to be utilised in sustaining dairy operations.
- 4.7 Since the application of the funds in the last three financial years there has been a change in management at FIDC, and consequently Stanley Dairy Ltd, and a programme of change and improvement to financial reporting and financial management has commenced and continues in the Corporation. Lessons have been learned and, although mistakes will doubtless be made in the future, a tighter regime should minimise the possibility of issues such as this arising in the future.
- 4.8 Stanley Dairy has now been closed and its property, plant and equipment is being sold in order to defray any closure costs and more significantly provide a partial return to the taxpayer for the past trading losses incurred by the business and financed by FIG and FIDC.
- 4.9 The trading losses incurred by Stanley Dairy over the last three financial years and the use of the grants cannot be altered. However, for the record ExCo is requested to approve the application of the financial assistance provided by FIDC as set out above which accords with Stanley Dairy's statutory accounts. Of importance, ExCo is asked to approve the utilisation of £30,891 of financial assistance towards Stanley Dairy's 2008/9 trading losses.

4.10 FIDB reviewed the financial position of Stanley Dairy at its 4 August 2009 Board meeting and approved the utilisation of the financial assistance as set out above. FIDB advised that the foregoing be brought to ExCo's attention.

5.0 Financial Implications

5.1 None as no further financial assistance is required by Stanley Dairy.

6.0 Legal Implications

6.1 None

7.0 Human Resources Implications

7.1 None