

Haringey Council deposits in Icelandic banks: Statement by Cllr George Meehan, Leader of the Council, to the Full Council, 14.10.08.

Mr Mayor

Thank you for allowing me to make a statement to Council about the Council's deposits in Icelandic banks.

Last Thursday I sent a statement to all councillors on the situation. I think that it is appropriate now for me to provide Council with the latest information available and what the Council is doing.

I think before I go into the detail Mr Mayor I would like to say that I fully recognise the concern which local people have about the situation, and the amount of money which is involved.

I would like to assure everyone that the day to day running of our essential front line services is not affected.

And the Council is doing all that it possibly can, with other local authorities who find themselves in a similar position, with the Local Government Association and with Central Government, to recover all of the money frozen by the Icelandic government and authorities.

I would also like to reiterate that this is of course an unprecedented situation for the global economy, affecting institutions and business across the world.

And this particular situation, with the Icelandic banks, is affecting not only more than 100 local councils, with deposits of almost £800 million, but other public bodies, universities, police authorities and many charities. Haringey is just one of many, many organisations affected.

And as an organisation with a turn over of more than £1 billion, and sound finances overall, we are well placed to deal with these issues.

Turning to the detail, I would like to set out Mr Mayor a full picture for members so we are all fully informed, and can deal with a number of the rumours and a number of false statements that have been made.

Council's deposits

Mr Mayor the total amount of money with the Council has invested in Icelandic banks is £37 million. This money is spread across three banks:

- Landsbanki in which the Council has £15.2 million
- Glitnir Bank in which the Council has £2 million
- Heritable Bank, a UK registered bank, in which the Council has £19.8 million.

The dates these deposits were made range from December 2007 to September 2008. The maturity of the deposits also differ from 8 days to 364 days.

The only deposit in Glitnir was made in December 2007. The final deposits were made in Heritable Bank and Landsbanki on the 29 September 2008.

This is the normal and long-standing process of money management, investing balances with various institutions, to accrue interest for the benefit of the council tax payer each year.

This interest amounted to £8 million in 2007/8, equivalent to 8 % on Council Tax, or £94 per council taxpayer}

External advice, credit ratings and Council policy

As with all other investments which the Council makes, all of the deposits with the three banks, Landsbanki, Glitnir and Heritable at the time of making the deposit met the required thresholds provided by the independent credit rating agencies and the Council's external treasury management advisors.

The minimum threshold is rated as 'green' by our advisers. This includes only 'A' rated banks or above for long term deposits, and F1 rated for short term deposits. This is the highest credit rating for short term deposits. These ratings were in place for these banks at all times, and only changed in October.

The Council's investments are made in accordance with Council's Treasury Management Statement which was agreed by Council at its meeting on 4 February 2008.

The Statement is agreed every year by Council and is fully in line with government Guidance on Local Government Investments which was published in March 2004.

This guidance sets out what has been a legal requirement on local councils since 2003, to invest our money for a good return while spreading the risk.

That is what we have done.

Both Government and the LGA have recently confirmed none of the investments made in the Icelandic banks were either reckless or irresponsible.

Policies, guidance and advice were followed to the letter. Comment to the contrary is inaccurate.

Again, I would remind members that this is an unprecedented situation. Up until a few days ago, these banks were well rated by international credit agencies. Nobody could have anticipated the collapse of what were until very

recently safe deposits in A-rated banks, used by public authorities across the country.

Impact on the Council

Can I be absolutely clear to members as to the impact this situation is having on the Council – and again it is important to put the amount of money at risk in the context of our annual turn over of £1.1bn.

As we have made clear, to Councillors and Council Staff, the day to day running of frontline services will not be affected.

The Council still has the necessary level of cash flow, and to be absolutely clear again, payroll and services will not be affected. Contrary to press reports at the weekend, our payroll funds are not frozen, and staff will be paid.

Our pension fund and entitlements to fund members are not affected. Cash that was separately managed for the pension fund was not invested in any of these banks.

Any stories which you may have seen in the local or national press to the contrary are false and misleading, and anyone making speculative statements along these lines in respect of council payroll and services is acting irresponsibly.

I would advise all members that we have a responsibility in situations such as these to act with one voice and that is why I wanted to make a statement this evening to provide members with as much information as is available.

It is vital that the all Councillors act responsibly to establish the facts before rushing to comment.

Current situation

The three banks in which the Council has deposits have been put into receivership and are not yet declared insolvent. Our money is therefore not lost, and the Government is actively pursuing these funds.

As I have said, this is an issue for local government as a whole, and for national government, and for the country as a whole.

We are therefore also working through the LGA to lobby Government for assistance on any potential losses.

And the Council will do all that possibly can to work with other local authorities, charities and companies who have had assets frozen in Icelandic banks.

At the same time we have of course reviewed our other deposits, and the situation is being monitored daily.

Conclusion

In conclusion, the day to day running of services will not be affected, and we are optimistic that these sums will be recovered.

We are also hopeful that there will be Government assistance, and we welcome the initiatives taken by the Government to date, on its own account and with the international community.

If we do have to action to mitigate some of this loss, it will be possible to manage this by a combination of money held in reserves and spreading the costs over a number of years in order to minimise the impact on front line services in the future.

I will continue to update Members as the situation develops.