




Report for:	Corporate Committee 20 th March 2014	Item number	
Title:	Treasury Management Update		
Report authorised by :	 Assistant Director – Finance (CFO)		
Lead Officer:	George Bruce, Head of Finance – Treasury & Pensions George.bruce@haringey.gov.uk 020 8489 3726		
Ward(s) affected: N/A	Report for Non Key Decision		

1. Describe the issue under consideration

- 1.1 This report updates the Committee on the treasury management development since 1st January 2014, in particular the recent sale of Icelandic deposits.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 That members' note the sale of Landsbanki deposits and the actions being taken with the remaining balances.

4. Other options considered

- 4.1 None.

5. Background information

- 5.1 The Corporate Committee receive quarterly updates on treasury activity, with the December 2013 quarter being reported to the January meeting. Since then, the outstanding claim relating to Landsbanki has



been sold and this note updates the Committee on the sale and the remaining Icelandic balances.

6. Comments of the Chief Financial Officer and financial implications

- 6.1 Proceeds from the Icelandic bank claims have continued to exceed the previous prudent estimates. The cash loss is now estimated at £1,233,000 compared with the May 2013 estimate of £2,679,000. The timing of future distributions is dependent on when Icelandic exchange controls are lifted and the outcome of legal action between Icelandic banks.

7. Head of Legal Services and Legal Implications

- 7.1 Separate legal advice has been provided with regards the sale of the Landsbanki deposits and there are no further legal implications in respect of this report.

8. Equalities and Community Cohesion Comments

- 8.1 There are no equalities issues arising from this report.

9. Head of Procurement Comments

- 9.1 Not applicable.

10. Policy Implications

- 10.1 None applicable.

11. Use of Appendices

- 11.1 Appendix 1: Summary of Icelandic Balances

12. Local Government (Access to Information) Act 1985

- 12.1 Not applicable.

13. Icelandic Deposits

- 13.1 The Council held deposits of £37 million with three Icelandic banks that failed during October 2008. These were Heritable (£19.8 million), Landsbanki (£15.157 million) and Glitnir (£2 million). This note



provides an update on distributions received from each bank and anticipated final recoveries. A summary is attached.

14. Landsbanki

14.1 Prior to 2014, distributions of £8,245,000 had been received from Landsbanki. The CFO received authority to participate in an auction of the remaining Landsbanki claim alongside other investors, provided a minimum agreed price was received.

14.2 The auction was successful and the remaining claim was sold in January 2014 for £6,155,000, bringing total proceeds to £14,400,000. This represents 95% of the original deposit. The loss of £757,000 excludes interest that would have been earned since 2008.

14.3 The previous report on expected recoveries (May 2013) estimated distributions until 2018 with 98% of the initial deposit being recovered. Although the auction proceeds are less than the previous estimate of 98% total recovery, the date of recovery has been brought forward by 4-5 years and ends the uncertainty over future receipts.

15. Heritable Bank

15.1 A further distribution of £3,329,000 was received in August 2013, bringing total distributions to £18,702,000, being 94.5% of the initial deposit (or 94% of the claim). This is a substantial improvement on the 86-90% recovery predicted last May. The shortfall to date is £1,098,000. The outstanding claim value is £1.19 million (which includes interest). Future distributions are estimated to increase the recovery to 97% and reduce the cash loss to £594,000.

16. Glitnir

16.1 The £2 million deposit with Glitnir has been reported as 100% recovered, with £1,678,000 received and further distribution, paid in Icelandic Krona, being held in Iceland due to exchange controls. The value of the funds held in Iceland at today's exchange rate is £440,000, which if repaid would result in a 'surplus' of £117,000. The escrow balance is currently earning interest at 4.2%.

16.2 Recent legal advice is that the capital controls will remain in place for some years although they may be lifted in stages offering some exit opportunities.

17. Summary



Haringey Council

17.1 The distributions received from the Icelandic banks now total £34,780,000 out of the original £36,957,000 invested, which represents a shortfall of £2,177,000. This position is expected to improve with eventual recovery of the escrow balance (£440,000) and the potential for further Heritable distributions, estimated at £504,000. The previous estimated final cash loss of £2,679,000 has proved to be overstated. The table below summarises the position to date.



Icelandic deposits update – February 2014

The table below summarises the current position in terms of distributions received and the total recovery expected.

	A Original invested	B Distribs rec'd	C Distribs in ISK	D Further Anticipated Distributions	E Total expected recovery	F Total expected recovery %	G Expected cash loss
Glitnir Bank	2,000	1,678	440	0	2,118	106%	-118
Heritable Bank	19,800	18,702	0	504	19,206	97%	594
Landsbanki	15,157	14,400	0	0	14,400	95%	757
Total	36,957	34,780	440	504	35,724	97%	1,233

Distributions

- The distributions listed in column B above have been received into Haringey’s bank account.
- The distributions in column C have been made in Icelandic Krona into a ring fenced bank account in Iceland, where they currently remain earning interest at 4.2%. Interest to 31 December 2013 is included. The values shown are the sterling equivalents, which will change as exchange rates vary.

Expected recoveries

- Glitnir has been fully distributed, although some is in Icelandic Krona, which has not been received yet. Depending on exchange rates, the amount received may be more or less than 100%.
- Heritable distributions to date represent 94% of deposits. It is anticipated that the final recovery will be 97% of the original investment.
- The Landsbanki claim was sold by way of an auction and no further recoveries are due.

Icelandic Krona

- The funds in Icelandic Krona are subject to currency controls in Iceland and so cannot be transferred out of the country. The LGA and Bevan Brittan are continuing to search for solutions to expedite the transfer on behalf of all local authorities, but no cost effective solution has yet been found.