

	<h2>Policy and Resources Committee</h2> <h3>9th July 2015</h3>
<p style="text-align: center;">Title</p>	<p>Managing sale of Councils' Interests: Delegation of authority to sell claim in Glitnir hf</p>
<p style="text-align: center;">Report of</p>	<p>Chief Operating Officer</p>
<p style="text-align: center;">Wards</p>	<p>All</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Enclosures</p>	<p>None</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Iain Millar, Head of Treasury , iain.millar@barnet.gov.uk 0208 359 7126</p>

<h2>Summary</h2>
<p>This report recommends delegation of authority to the Chief Operating Officer to sell the investment balance held in escrow from the insolvent estate of the Icelandic bank Glitnir hf. Any sale of the claim is subject to receipt of a bid price that is acceptable to the Council.</p> <p>The sale of the Council's balance held in escrow has been subject to Icelandic Government currency controls since 2012. A sale of the claim would allow immediate access to funds owed to the Council.</p>

<h2>Recommendations</h2>
<p>1. That Policy and Resources Committee authorises the Chief Operating Officer in consultation with chairman of Policy and Resources Committee to sell the Council's interest in the insolvent estate of the Icelandic bank Glitnir hf and to report to Committee following the sale</p>
<p>2. That the decision to sell the Council's interest in the insolvent estate of the Icelandic bank Glitnir hf ,including sale by auction and to set the reserve price of any future sale be delegated to the Chief Operating Officer in consultation with chairman of Policy and Resources Committee.</p>

1. WHY THIS REPORT IS NEEDED

- 1.1 This report is being brought to Policy and Resources to delegate authority to sell to the Council's remaining investment held in the former Icelandic Bank to the Chief Operating Officer in consultation with chairman of the Policy and Resources Committee.

2. REASONS FOR RECOMMENDATIONS

- 2.1 On 13 March 2012 the Icelandic parliament passed law No. 17/2012. currency control restrictions, introducing special provisions applicable to Icelandic krónur (ISK) payments to non-Icelandic parties (such as UK local authorities). Consent from the Icelandic Central Bank is required under this new law in order pay priority creditors the Icelandic krónur (ISK) element of the distribution.
- 2.2 A market in claims has developed, and various third parties have approached local authorities and the LGA with informal offers to purchase Glitnir hf. Priority claims. With delegated authority to sell the Council's remaining investment in the former Icelandic bank, the Chief Operating Officer will be able to dispose of the investment without requiring further advance committee approval should an opportunity arise to sell to a third party at best execution.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

- 4.1 Following a sale, the Council's escrow balance will be converted into sterling and paid into the Council's bank account (subject to currency conversion costs and net of disposal costs.) The outcome of the sale will be reported to the next meeting of Policy and Resources Committee following the sale.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Efficient financial management procedures are a necessary contribution to enable the achievement of all council priorities

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The Council's remaining balance of its investment in the former Icelandic Bank is held in Icelandic Kroner in an escrow account. The sale of the Council's balance held in escrow has been subject to Icelandic Government currency controls since 2012. A sale of the claim would remove the uncertainty and allow immediate access to funds owed to the Council. The Council has been unable to convert its funds into sterling because of the currency export controls. Any sale of the claim is subject to receipt of a bid

price that is acceptable to the Council. The current balance held including accrued interest is £2.9 million

- 5.2.2 Urgency Committee on 29th January 2015 approved participation in a currency auction in February 2015, through its lawyers, Bevan Brittan, and the Local Government Association, subject to a reserve price being reached. The reserve price was not reached and the investment was not sold.
- 5.2.3 On 7th June 2015 the Icelandic Government announced a strategy for the relaxation of capital controls. Though details have not been announced, it is likely that an exit tax of up to 37% may be applied to foreign currency creditors. It is not known if an exit tax will also be applied to the Council's escrow balance.
- 5.2.4 Delegating authority to sell the Glitnir hf investment to the Chief Operating Officer, in consultation with the chairman of Policy and Resources Committee, would allow sale to a third party or participation in an currency auction without requiring advance committee approval. Time is of the essence in trading currency investments.

5.3 Legal and Constitutional References

- 5.3.1 Council Constitution, Financial Regulations (Section 4.6.7) the Council delegates the execution and administration of treasury management decisions to the Chief Finance Officer (section 151 officer), who will act in accordance with the organisations Treasury Management practices. The decision to participate in the sale of Glitnir hf debt is considered to have an impact on the Council's Treasury Management Policy owing to the potentially significant financial implications and, as such, falls within the remit of the Policy & Resources Committee (Financial Regulations 4.6.3)
- 5.3.2 When sold, by auction or otherwise, the Contact Procedure Rules would apply and therefore any contract over £500,000 is normally approved by Policy and Resources Committee via the Procurement Forward Plan. Following the sale the outcome will be reported in a section 151 officer Delegated Powers Report.

5.4 Risk Management

- 5.4.1 Any sale of the claim is subject to receipt of a bid price that is acceptable to the Council and the reserve price may not be reached. The Council may have to sell at a loss but this will be partly offset by interest accrued to date on the balance held in escrow.
- 5.4.2 The Icelandic government may require creditors to pay an exit tax when currency controls are relaxed, which could potentially reduce the amount receivable by the Council. Sale of the asset would allow immediate access to funds currently held in the escrow account in Icelandic Kroner.
- 5.4.3 The Council will bear any foreign exchange rate risk along with any costs associated with the release of the amount held in the escrow account.

5.5 Equalities and Diversity

- 5.5.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
 - advance equality of opportunity between people from different groups
 - foster good relations between people from different groups

The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services

- 5.5.2 Recovering funds due to the Council is an important aspect of the management of resources to ensure the equitable delivery of services to all members of the community.

5.6 Consultation and Engagement

- 5.6.1 Not applicable

6. BACKGROUND PAPERS

- 6.1 Report to Urgency Committee 29.1.2015
<http://barnet.moderngov.co.uk/documents/b25202/Chairmans%20Urgent%20Late%20Item%20of%20Business%20-%20Sale%20of%20Claim%20in%20Glitnir%2029th-Jan-2015%2018.00%20Urgency%20Com.pdf?T=9>