

General Assembly Motion

Icelandic Banks - to be remitted to the LGA Executive

Daventry District Council

Proposes that: "This Association:

- Notes and applauds the work of LGA officers and leading members, in partnership with affected member authorities, the Welsh LGA, COSLA, and the Association of Police Authorities in trying to secure the return of deposits made by councils, fire and police authorities in England, Scotland and Wales in the four failed Icelandic banks.
- Welcomes the indications that a significant proportion of the monies deposited will eventually be recovered.
- Notwithstanding the above, has concerns about the impact of any shortfall in terms of monies recovered by councils and therefore calls upon the Government to agree to three key measures that would deliver clear value for money for the taxpayer:
 1. Guarantee that local authorities can spread any losses from deposits over a period of up to 20 years rather than having to take an immediate loss impacting on budget and council tax decisions. This would allow appropriate strategies to be developed to replenish reserves over time.
 2. Compensate authorities that depend heavily on interest income to fund current budgets, in a similar way that the Government already offers compensation for exceptional costs such as those related to flooding.
 3. Require the Public Works Loan Board to allow an opportunity for authorities to repay debt without any early redemption premium or similar penalty.

LGA comment:

This motion is in line with the approach the LGA has pursued since the Icelandic banks crisis in October 2008. The LGA was responsible for bringing together the authorities affected by the crisis and, working with a group of officers from these councils and the legal representation we secured, has enabled local government to take a leading role in the administrations of each of the four banks councils invested in. For example, coordinating the votes of councils so that local government is represented on the various

creditor committees for the banks has assisted in the administrations being progressed in a way that benefits councils.

Further work has included joint work with the relevant audit bodies and CIPFA to agree the accounting treatment of Icelandic bank deposits. The recent guidance recognised that, based on current information, councils can, overall, expect up to 90% recovery.

We have already lobbied government to provide the measures of support outlined in the motion, with the aim of ensuring that the affected authorities are able to take the measures necessary to prevent delays in the return of deposits (or final losses) from adversely affecting future budgets and spending plans. We will continue to make the case for this support in the coming months, building on the fact that a number of bodies (including the CLG Select Committee and Audit Commission in their recent reports on Icelandic banks) have supported review of the PWLB's early redemption penalty arrangements.

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