

Addendum to the Treasury mid-year report

LANDSBANKI

The Council has recently taken the opportunity to sell its claim against the insolvent estate of Landsbanki Islands hf (LBI). The claim was sold through a sales process brokered by Deutsche Bank. The price at which the claim was sold was based on a reserve price set by the council on the basis of legal advice received from Bevan Brittan and the council's own analysis of the financial position. The proceeds of the sale were paid in Pounds Sterling. The sale means that the council has recovered 92.76 per cent of the amount that was originally deposited with LBI in 2008.

The transaction removes all uncertainty surrounding the timing of potential future recovery; particularly given that the administration of the insolvent estate of LBI is likely to continue for several years and the fact that future recovery payments may be made in a number of currencies which could end up being less advantageous to the council.

The money was transferred to the council on 19 November 2014 and this represents a clean break. The money can now be re-invested and the return on this will offset the discount on the price of the sale when assessed over the balance of the repayment period from LBI.

A number of other UK local authorities have sold their claims through the same auction process with each creditor receiving exactly the same price expressed terms of the Icelandic Kroner value of the claim. As authorities' claims included accrued interest on the original deposit, this may produce slightly different recoveries in different authorities.