



Department for
Communities and
Local Government

Local Authority Borrowing and Investments, UK 2013-14

- Total gross borrowing of the local government sector in the UK rose by 0.7%, from £84.2bn to £84.7bn in the year to the end of 2013-14. Once the increase due to the GLA and TfL (£1.3bn) is deducted from this, borrowing for the rest of UK local government decreased by £0.7bn.
- Total local authority borrowing has increased by £17.6bn (26%), from £67.2bn to £84.7bn, in the five years since March 2009. However, excluding the one-off HRA settlement in March 2012 (£8.1bn) and the increased borrowing in the period by the two big all-London authorities mentioned above (£8.2bn), borrowing by the rest of the local authority sector has increased by only £1.3bn (2%) from £64.2bn to £65.4bn over the last five years.
- Total investments rose 8.6% from £29.7bn to £32.3bn in the year to the end of 2013-14. Of this £2.6bn national increase, £1.3bn was due to increased investments by the GLA and TfL.
- Within this total investments figure, 2013-14 saw a £1,021m increase in resources invested in British Government securities (£832m from TfL alone); a £742m increase in investments in Treasury bills; and a £656m increase in UK bank deposits and CDs. The category of investment that experienced the greatest decline was the DMA deposit facility, which ended 2013-14 £362m lower.

Local Government Finance

Statistical Release

5 August 2014

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Introduction

The information for local authority borrowing and investments is collected from a sample of 160 local authorities (covering all types of authorities and all administrations) monthly and from all 517 local authorities in the UK every quarter.

The borrowing and lending inquiry covers all external borrowing, lending and transactions in financial assets by local authorities in the United Kingdom.

Outstanding debt includes temporary borrowing for management of cash flow and longer-term borrowing taken out to finance capital projects.

The total of local authority investments is the financial representation of local authorities' reserves, unused capital receipts and cash flow surpluses, though authorities that are net borrowers may use such resources to reduce their borrowing rather than holding them as investments. The 'other sources' heading in this release includes investments with public corporations, other financial institutions and British Government securities.

New borrowing and drawing down of investments are ways of accessing funds. New borrowing is a major way of financing capital spending. Funds that are received as income or capital receipts, but are not going to be spent immediately, may be invested or used to redeem debt.

Borrowing from and loans to other local government bodies have not been included in the national figures supplied in this statistical release.

The Greater London Authority (GLA) and its sister body Transport for London (TfL) are both involved in major infrastructure projects such as Crossrail and modernising London Underground. Their investments, and borrowing to fund future investment, is often much greater and in different asset categories than most of the other local authorities in the UK. As a result, failure to pay attention to them can give a false picture of the national totals, and it is sometimes worthwhile to consider them and the rest of UK local authorities separately.

Borrowing

Total Local Authority Borrowing, 2006-07 to 2013-14

Total UK local authority borrowing increased from £84.2bn as at 31 March 2013, to £84.7bn as at 31 March 2014. This represents an increase of £554m, or 0.7% over the year.

This increase in borrowing is due to only two authorities, the London-wide Greater London Authority (GLA) and Transport for London (TfL). These two between them increased their borrowing by £1,250m (12.5%), the remaining 515 UK local authorities together decreased their borrowing by £696m (1.1%).

The size of the GLA and TfL, and the fact that they tend to issue more debt as securities than the rest of the UK's local authorities (£4.0bn against £0.4bn issued by other authorities), mean that it is worth considering the trend in borrowing both including and excluding these two authorities.

There is a discontinuity in the series in 2011-12, when reform of the Housing Revenue Account (HRA) required local authorities to increase their net borrowing to cover housing assets they received. This one-off increase in borrowing amounted to a net £8.1bn across all local authorities.

Since 2006-07, excluding the one-off HRA reform settlement, GLA and TfL together have increased their borrowing by £9.9bn (733%) in seven years. The rest of UK local government has increased their borrowing by £5.2bn (9%) over the same period.

Temporary loans were only 0.6% of total borrowing in 2013-14, the same proportion as in 2012-13, although down on the 2.1% to 2.4% between 2006-07 and 2008-09. Longer-term loans and securities make up the other 99.4%.

Table 1: Total Local Authority Borrowing, 2006-07 to 2013-14

| | £m as at 31 Mar | | | | | | | % change 2014 | |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|--------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | | 2014 |
| Total borrowing | 61,558 | 66,113 | 67,186 | 67,880 | 70,688 | 81,810 | 84,180 | 84,735 | 0.7% |
| HRA settlement | - | - | - | - | - | 8,069 | - | - | - |
| Total excluding HRA settlement | 61,558 | 66,113 | 67,186 | 67,880 | 70,688 | 73,742 | 76,112 | 76,666 | 0.7% |
| TfL & GLA | 1,350 | 1,950 | 3,018 | 4,118 | 5,583 | 8,472 | 9,993 | 11,243 | 12.5% |
| Total excluding HRA settlement, TfL & GLA | 60,208 | 64,163 | 64,169 | 63,763 | 65,105 | 65,270 | 66,119 | 65,423 | -1.1% |

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns.

Local Authority Temporary Borrowing, 2006-07 to 2013-14

Temporary borrowing was only 0.6% of total borrowing at 31 March 2014, the same proportion as a year earlier. While always much smaller than long-term borrowing as a proportion of the total, this represents a fall from a level of 2.1% to 2.4% between 2006-07 and 2008-09.

Temporary loans from building societies reached zero by 31 March 2013. This has fallen from an annual level of hundreds of millions before the financial crisis, and as much as £457m in 2008-09.

Although temporary loans from central government saw a large percentage increase, this was largely due to their low initial base. Despite a 261.1% increase, this was mainly due to a single temporary loan of £4.6m to a single local authority.

Overall, although seeing a 10.2% increase on the previous year, the level of borrowing through temporary loans by local authorities was still well below its peak in 2008-09 and the annual increase could be accounted for by relatively small changes in a handful of authorities rather than representing a broad-based trend.

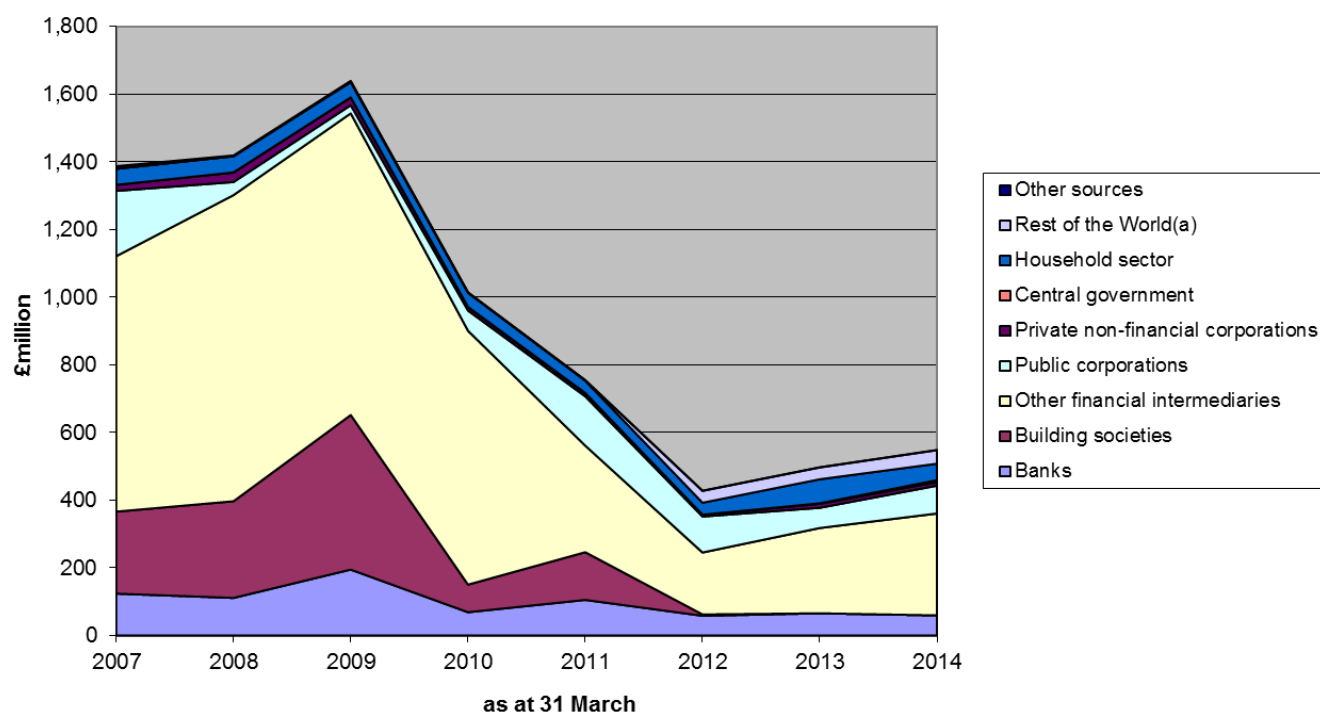
Table 2: Local Authority Temporary Borrowing, 2006-07 to 2013-14

| | £m as at 31 Mar | | | | | | | | % change 2014 |
|------------------------------------|-----------------|--------------|--------------|--------------|------------|------------|------------|------------|------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Banks | 124 | 111 | 195 | 69 | 106 | 59 | 66 | 60 | -9.2% |
| Building societies | 242 | 286 | 457 | 82 | 141 | 4 | 0 | 0 | - |
| Other financial intermediaries | 755 | 904 | 891 | 750 | 315 | 183 | 252 | 301 | 19.5% |
| Public corporations | 193 | 39 | 24 | 60 | 146 | 106 | 60 | 82 | 37.6% |
| Private non-financial corporations | 18 | 28 | 23 | 10 | 8 | 5 | 12 | 10 | -11.8% |
| Central government | 0 | 0 | 0 | 0 | 2 | 1 | 2 | 6 | 261.1% |
| Household sector | 47 | 48 | 45 | 42 | 36 | 35 | 71 | 49 | -31.6% |
| Rest of the World ^(a) | 0 | 0 | 0 | 0 | 1 | 35 | 35 | 40 | 14.3% |
| Other sources | 8 | 2 | 4 | 1 | 1 | 1 | 1 | 0 | -57.3% |
| Total | 1,387 | 1,419 | 1,639 | 1,014 | 755 | 428 | 497 | 548 | 10.2% |

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns.

(a) Rest of the World comprises institutions that may establish branches but not accept deposits in the UK.

Chart A: Temporary Borrowing by Type



Local Authority Longer-term Borrowing, 2006-07 to 2013-14

Local authorities' longer-term borrowing has increased in each year since 2006-07, to a total of £84.2bn as at 31 March 2014.

As in 2012-13, 75% of longer-term borrowing was with the Public Works Loan Board.

Of the £8.5bn increase in borrowing from the PWLB in 2011-12, £8.1bn was to finance the one-off HRA settlement. Excluding this factor, PWLB borrowing increased by £385m (1%) in that year.

The notable year-on-year changes in categories of longer-term borrowing during 2013-14 were largely caused by the GLA and TfL. The £3.4bn increase in negotiable bonds and commercial paper since 2009-10 is entirely accounted for by TfL and the GLA. The 2013-14 increase in negotiable bonds and decrease in commercial paper is almost wholly due to changes in TfL's borrowing, while the GLA's £753m increase in borrowing from the PWLB almost outweighed the rest of the sector's £827m decrease.

Excluding the activity of the GLA and TfL, total borrowing by UK local authorities fell by £696m (0.9%) in 2013-14.

Table 3: Local Authority Longer-term Borrowing, 2006-07 to 2013-14

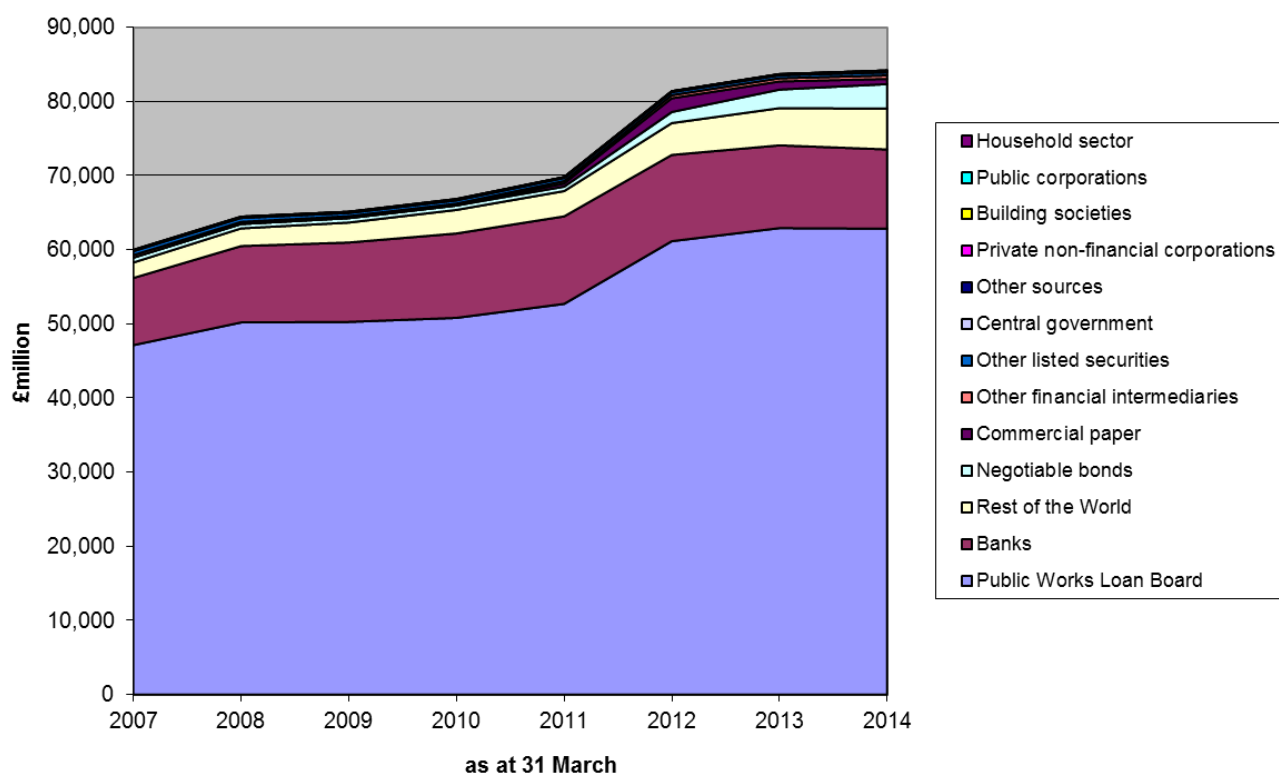
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 ^(b) | £m as at 31 Mar | | %change 2014 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------|-----------------|---------------|-----------------|
| | | | | | | | 2013 | 2014 | |
| Negotiable bonds | 656 | 594 | 597 | 597 | 594 | 1,494 | 2,501 | 3,299 | 31.9% |
| Commercial paper | 0 | 0 | 0 | 0 | 432 | 1,854 | 1,098 | 697 | -36.5% |
| Other listed securities | 532 | 524 | 430 | 430 | 413 | 412 | 401 | 409 | 1.9% |
| Public Works Loan Board | 47,136 | 50,194 | 50,274 | 50,816 | 52,701 | 61,155 | 62,920 | 62,846 | -0.1% |
| Banks | 9,063 | 10,305 | 10,703 | 11,382 | 11,802 | 11,635 | 11,167 | 10,690 | -4.3% |
| Building societies | 242 | 286 | 457 | 82 | 141 | 4 | 0 | 0 | - |
| Other financial intermediaries | 342 | 291 | 263 | 254 | 326 | 411 | 433 | 471 | 8.9% |
| Public corporations | 2 | 1 | 2 | 2 | 4 | 3 | 8 | 7 | -4.1% |
| Private non-financial corps | 2 | 2 | 2 | 2 | 2 | 13 | 12 | 121 | 871.7% |
| Central government | 90 | 92 | 106 | 105 | 86 | 84 | 102 | 114 | 12.4% |
| Household sector | 9 | 8 | 8 | 8 | 6 | 6 | 5 | 6 | 10.2% |
| Rest of the World ^(a) | 2,079 | 2,383 | 2,695 | 3,177 | 3,414 | 4,297 | 5,013 | 5,513 | 10.0% |
| Other sources | 18 | 15 | 12 | 12 | 12 | 13 | 24 | 14 | -41.1% |
| Total | 60,171 | 64,694 | 65,547 | 66,866 | 69,933 | 81,382 | 83,683 | 84,187 | 0.6% |

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns.

(a) Rest of the World comprises institutions that may establish branches but not accept deposits in the UK.

(b) HRA reform in March 2012 saw local authorities take on a net £8.1bn of debt from the PWLB to finance transfer of housing assets to them.

Chart B: Longer-term Borrowing by Type



Investments

Local Authority Investments 2006-07 to 2013-14

Total investments rose from £29.7bn at 31 March 2013 to £32.3bn at March 2014, an 8.6% increase. This continued the recovery in local authority investments since the financial crisis, and the £2.6bn increase was greater than the corresponding £554m increase in total local authority borrowing.

In the makeup of investments, 61% of all investments as at 31 March 2013 were held in banks or building societies, a slight decrease from 63% the previous year, and well down from the 84% they represented as at 31 March 2008, before the Icelandic banks crisis.

Against this general increase, holdings in the DMA deposit facility fell £362m (37.1%), this seemed concentrated in London boroughs, which saw a net £289m reduction.

There were large increases in British Government securities (£1,021m, a 495.1% increase, £832m of this was due to TfL), Treasury bills (£742m, 71.3%, £255m was TfL so this increase was spread among authorities more generally) and deposits and CDs with UK banks (£656m, 3.9%, £447m of which was an increase in deposits held by the GLA alone).

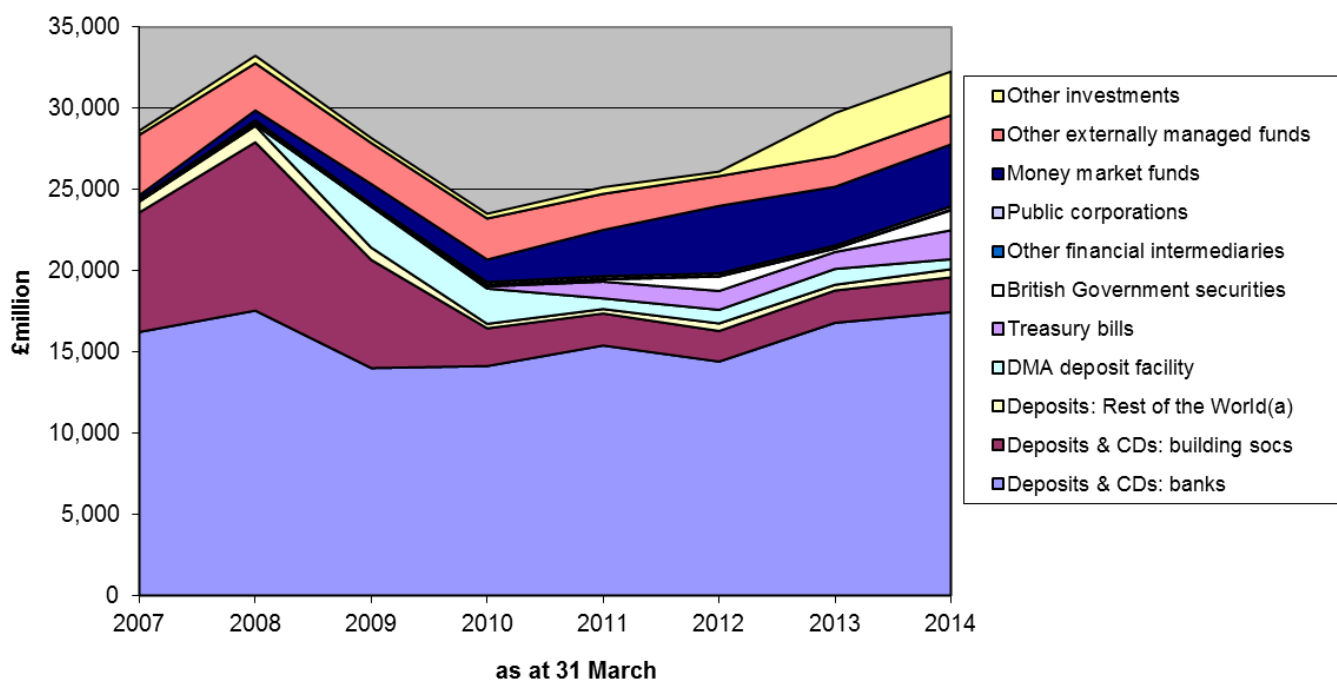
Altogether, TfL and GLA increased their investments by £1.3bn (26.5%) year-on-year. Even without the effect of these two bodies, the rest of the local authority sector also saw an increase of £1.3bn (5.1%) in their investments, at the same time (as noted above) as reducing their borrowing by £696m.

Table 4: Local Authority Investments, 2006-07 to 2012-13

| | £m as at 31 Mar | | | | | | | | % chg 2013 |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | |
| Deposits & CDs: banks | 16,222 | 17,538 | 14,003 | 14,127 | 15,391 | 14,403 | 16,790 | 17,446 | 3.9% |
| Deposits & CDs: building socs | 7,357 | 10,361 | 6,659 | 2,323 | 1,970 | 1,884 | 1,989 | 2,138 | 7.5% |
| Deposits: Rest of the World ^(a) | 674 | 1,007 | 754 | 273 | 273 | 463 | 352 | 504 | 43.1% |
| DMA deposit facility | 11 | 82 | 2,528 | 2,172 | 658 | 836 | 975 | 614 | -37.1% |
| Treasury bills | 0 | 6 | 0 | 131 | 1,028 | 1,164 | 1,041 | 1,783 | 71.3% |
| British Government securities | 4 | 0 | 24 | 80 | 135 | 887 | 206 | 1,227 | 495.1% |
| Other financial intermediaries | 46 | 154 | 39 | 41 | 46 | 42 | 38 | 48 | 27.4% |
| Public corporations | 103 | 104 | 107 | 153 | 156 | 153 | 156 | 200 | 28.1% |
| Money market funds | 226 | 607 | 1,221 | 1,384 | 2,847 | 4,152 | 3,614 | 3,812 | 5.5% |
| Other externally managed funds | 3,715 | 2,903 | 2,525 | 2,524 | 2,220 | 1,835 | 1,882 | 1,795 | -4.6% |
| Other investments | 258 | 462 | 300 | 294 | 411 | 272 | 2,652 | 2,684 | 1.2% |
| Total investments | 28,615 | 33,225 | 28,160 | 23,503 | 25,137 | 26,091 | 29,696 | 32,251 | 8.6% |
| TfL & GLA | 2,006 | 2,089 | 1,992 | 1,499 | 2,021 | 2,781 | 4,799 | 6,072 | 26.5% |
| Total excluding TfL & GLA | 26,610 | 31,135 | 26,167 | 22,004 | 23,116 | 23,311 | 24,897 | 26,178 | 5.1% |

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns.

(a) Rest of the World comprises institutions that may establish branches but not accept deposits in the UK.

Chart C: Investments by Type

Definitions

Banks

Where a joint account is maintained with a pension fund, the balance is recorded minus amounts attributable to the pension fund. Alternatively, where an authority is holding money on loan from a pension fund, the amount of the loan is recorded as borrowing from "Other financial intermediaries"

Data from Banks are reported on the same basis as on local authority bank statements. When a Local Authority has more than one account with the same bank and there is a formal agreement or legal right to treat the accounts as a single entity (i.e. set-off), the accounts are treated as one account and only the overall balance or overdraft is entered.

Deposits or loans with bank branches outside the UK are recorded as being with "Other investment sources".

Building Societies

Building societies, and only building societies, may have the words "Building Society" in their title. As with banks, deposits/loans with branches outside of the UK are recorded as being with "Other investment sources".

Capital receipts

Income from the sale of capital assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

Central Government

Includes all transactions with central government, its departments and agencies, and non-departmental public bodies.

Debt Management Office

The UK Debt Management Office (DMO), was established on 1 April 1998. The DMO is responsible for carrying out the Government's debt management policy of minimizing financing costs over the long term, taking account of risk, and managing the aggregate cash needs of the Exchequer in the most cost-effective way, in both cases consistently with the objectives of monetary and any wider policy considerations.

Externally managed funds

Funds placed with a fund manager to invest on behalf of the local authority.

Greater London Authority (GLA)

The Greater London Authority (GLA) was established by the GLA Act 1999. It is led by the elected Mayor and the Assembly. It has overall responsibility for fire and rescue, police and transport, services in London, each administered through a separate constituent organisation.

Household Sector

As well as private individuals, this sector includes housing associations, churches, universities, examination boards, clubs, trade unions and other non-profit-making bodies. Unincorporated businesses are included, except co-operative societies and partnerships.

Money Market Funds

Pooled investments where all unitholders in the fund jointly own all the investments in the fund.

Negotiable bonds

Negotiable bonds include: bonds issued under the Stocks and Bonds Regulations, which have same-day transferability in London; commercial papers with a maturity between 90 and 364 days and Medium-term Notes which have a maturity of between 1 and 5 years.

Other financial intermediaries

These are UK institutions specialising in granting credit and/or investing in securities, which are not banks or building societies. This sector includes amongst other things, pension funds, bank holding companies, certain mortgage and finance companies, Local Authority Mutual Investment Trust and insurance companies.

Other Investments / Sources

In some cases, such as borrowing from bank nominees, the source may not be identifiable. It also includes any transactions made directly with households or institutions with an address outside the UK.

Other Stock Issues

This includes other securities negotiable or tradable on secondary markets. Local bonds and mortgages, sometimes called Town Hall or over-the-counter bonds, are recorded as loans to the sector(s) holding the bonds, where possible, usually the households sector.

Public Corporations

These are wholly or majority owned by institutions in central or local government and include: Royal Mail, British Broadcasting Corporation, British Waterways, The Civil Aviation Authority, London Underground Ltd, The Commonwealth Development Corporation and National Health Service Trust hospitals. Also included are wholly or majority owned local authority companies, the New Towns Commission, Urban Development Corporations and Passenger Transport Executives. (But note that the Housing Corporation is classified to Central Government).

Public Works Loan Board (PWLB)

A statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Private non-financial corporations

This sector includes all UK non-financial commercial businesses. Minority-owned local authority companies, co-operative societies and partnerships are included as well as legally incorporated companies.

Rest of the World

Banks incorporated in the United Kingdom are classed as UK banks (e.g. Lloyds plc). Banks incorporated inside or outside the European Economic Area (EEA) but authorised or entitled to accept deposits through a branch in the UK' are classed as UK banks (e.g. Dresdner Bank AG). Banks authorised in the EEA entitled to establish branches in the UK but not to accept deposits in the UK' are classed as rest of the world banks (e.g. Depfa Bank plc).

A list of banks can be found at:

<http://www.bankofengland.co.uk/pru/Pages/authorisations/banksbuildingsocietieslist.aspx>

Temporary/longer-term

Temporary means an original maturity of up to 364 days. Instruments with a 364-day break clause, or similar, where local authorities can insist on repayment or be compelled to repay after each 364-day period are classified as temporary. Longer-term loans reaching the last year of their maturity should continue to be classified as longer-term.

Transport for London (TfL)

TfL is a statutory corporation regulated under local government finance rules. Governed by the GLA Act, TfL was created in 2000 and is the integrated body responsible for the London's transport system. Its main role is to implement the Mayor's Transport Strategy for London and manage transport services across the Capital.

Treasury Bills

A treasury bill is a short-term (less than one year) government zero-coupon bond.

Technical notes

Symbols

| | | |
|-----|---|--|
| (R) | = | some data have been revised since the last statistical release |
| ... | = | not available |
| – | = | not relevant |
| - | = | Negative |
| 0 | = | zero or negligible |
| | = | discontinuity in data |

Rounding

Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent items

Data collection

The information in this release is based on data returned to the Department for Communities and Local Government by 517 local authorities in the United Kingdom, comprising all levels of local government, on borrowing and investment for the financial year 2012-13 on the Monthly Borrowing (MB) and Quarterly Borrowing (QB) forms. A sample of 160 authorities return data every month, while all authorities complete returns on quarterly basis.

The series start in 2006-07 to provide a view of the position before the financial crisis in 2008-09, which triggered many changes in the makeup and levels of borrowing and investment.

Data quality

Figures are subjected to rigorous pre-defined validation tests both within the form itself, while the form is being completed by the authority and also in the Department for Communities and Local Government as the data are received and stored.

Finally, the release document, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Revisions policy

This policy has been developed in accordance with the UK Statistics Authority Code of Practice for Official statistics and the Department for Communities and Local Government Revisions Policy (found at <https://www.gov.uk/government/publications/statistical-notice-dclg-revisions-policy>).

There are two types of revisions that the policy covers:

Non-Scheduled Revisions

Where a substantial error has occurred as a result of the compilation, imputation or dissemination process, the statistical release, live tables and other accompanying releases will be updated with a correction notice as soon as is practical.

Scheduled Revisions

At time of publication there are no scheduled revisions for this series

Uses of the data

The figures provided by local authorities are used by the ONS to compile key financial statistics such as Public Sector Net Borrowing and Public Sector Net Debt. These are used by HM Treasury and Bank of England when setting fiscal and monetary policy for the UK, and are published in the Public Sector Finances First Release, by HM Treasury and the ONS each month, which can be found on the Internet at:

<http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm%3A77-223986>

User engagement

Users are encouraged to provide feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and encouraged. Responses should be addressed to the "Public enquiries" contact given in the "Enquiries" section below.

The Department's engagement strategy to meet the needs of statistics users is published here: <https://www.gov.uk/government/publications/engagement-strategy-to-meet-the-needs-of-statistics-users>

Notes

For a fuller picture of recent trends in local government finance readers are directed to *Local Government Financial Statistics The UK No.24 2014* which is available electronically in PDF format via the Department's web site:

<https://www.gov.uk/government/publications/local-government-financial-statistics-england-2014>

Devolved administration statistics

The data in this release cover the entire UK.

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Information on Official Statistics is available via the UK Statistics Authority website:

www.statistics.gov.uk/hub/browse-by-theme/index.html

Timings of future releases are placed on the Department's website at

<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics#forthcoming-publications>, and on the UK Statistics Authority website <http://www.statistics.gov.uk/hub/release-calendar/index.html>.

Information about statistics at DCLG is available via the Department's website:

www.gov.uk/government/organisations/department-for-communities-and-local-government/about/statistics

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