Department for Communities and Local Government

Statistical Release

13 September 2012

Local Authority Borrowing and Investments, UK 2011-12

- Total gross borrowing of the local government sector rose 16% in the past year from £70.6bn to £81.8bn at the end of 2011-12. This represented a 33% increase over five years from £61.4bn at the end of 2006-07.
- Excluding the one-off Housing Revenue Account (HRA) settlement of a net £8.1bn, total borrowing would have been £73.7bn at the end of 2011-12, a 5% increase from 2010-11 and 20% since 2006-07.
- 99% of borrowing is longer-term; of this longer-term borrowing 75% was with the Public Works Loan Board.
- Total investments rose from £25.1bn at the end of 2010-11 to £26.1bn at the end of 2011-12, an increase of 4%.
- As at 31st March 2012, 62% of all investments were with banks and building societies, a decrease from 69% at 31st March 2011.

This release relates to local authority Borrowing and Investments in the UK as at 31 March 2012. The information is derived from Monthly and Quarterly Borrowing and Investment forms submitted by all Local Authorities, including Waste, Police and Fire.
The release has been compiled by the Local Government Finance – Data Collection, Analysis and Accountancy division of the Department for Communities and Local Government.

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Local Authority Borrowing and Investments, UK 2012

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Background

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 516 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' section, used during this release, includes investments with public corporations, other financial institutions and British Government securities[1].

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. However, these are available online at: http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/livetables/

Total Local Authority Borrowing, 2006-07 to 2011-12

- Total UK local authority borrowing has increased from £70.6bn in 2010-11 to £81.8bn (16%) in 2011-12.
- Of this £11.3bn increase in borrowing, £8.5bn was from the Public Works Loan Board (PWLB).
- 2011-12 saw reform of the Housing Revenue Account (HRA) in England, which included one-off transfers to and from many local authorities to set their housing provision on a self-financing basis for the future. While some authorities received payments, others needed to borrow from the PWLB. The net effect on local authority borrowing was an increase of £8.1bn. This represents the great bulk of the increase in borrowing.
- Excluding the HRA settlement, total borrowing would have been £73.7bn at the end of 2011-12, a 5% increase from 2010-11.
- Transport for London (TfL) and the Greater London Authority (GLA) issued £2.3bn of securities in 2011-12 and increased longer-term borrowing from the rest of the world by £600m, representing most of the remaining new borrowing.
- Excluding these two factors (HRA reform; borrowing by TfL and the GLA), borrowing by the rest of the local authority sector increased by only £298m in 2011-12.
- The overwhelming majority of outstanding debt is longer-term borrowing (99%).

Table 1: Total Local Authority Borrowing, 2006-07 to 2011-12

					£m as at 31 Mar		% change
	2007	2008	2009	2010	2011	2012	2012
Total borrowing	**61,382**	**65,886**	**66,770**	**67,862**	**70,563**	**81,818**	**16%**
HRA settlement	-	-	-	-	-	8,069	
Total excluding HRA settlement	**61,382**	**65,886**	**66,770**	**67,862**	**70,563**	**73,749**	**5%**
TfL & GLA	1,350	1,950	3,018	4,118	5,583	8,472	52%
Total excluding HRA settlement, TfL & GLA	**60,033**	**63,936**	**63,752**	**63,744**	**64,980**	**65,278**	**0%**

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

Local Authority Temporary Borrowing, 2006-07 to 2011-12

1. **Table 2** provides figures for Local Authority Temporary Borrowing from 2006-07 to 2011-12. Temporary borrowing refers to borrowing with an original maturity of up to 364 days.

- After rising to a peak of £1,639m in 2008-09, UK local authority temporary borrowing has declined each year to reach £465m in 2011-12.
- Local authority temporary borrowing from building societies has fallen from £457m in 2008-09 to only £4m in 2011-12, while temporary borrowing from other financial intermediaries has decreased from £891m to £183m over the same period.
- Temporary borrowing from banks and building societies together fell from £247m in 2010-11 to £63m in 2011-12.

Table 2: Local Authority Temporary Borrowing, 2006-07 to 2011-12

					£m as at 31 Mar		% change
	2007	2008	2009	2010	2011	2012	2012
Banks	124	111	195	69	106	59	-44%
Building societies	242	286	457	82	141	4	-97%
Other financial intermediaries	755	904	891	750	315	183	-42%
Public corporations	193	39	24	60	146	106	-27%
Private non-financial corporations	18	28	23	10	8	5	-43%
Central government	0	0	0	0	27	38	38%
Household sector	47	48	45	42	36	35	-3%
Rest of the World[(a)]	0	0	0	0	1	35	3400%
Other sources	8	2	4	1	1	1	2%
Total	**1,387**	**1,419**	**1,639**	**1,014**	**781**	**465**	**-40%**

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.

Table 3: Temporary Borrowing by Type

	% of temporary borrowing as at 31 Mar					
	2007	2008	2009	2010	2011	2012
Banks	9	8	12	7	14	13
Building societies	17	20	28	8	18	1
Other financial intermediaries	54	64	54	74	40	39
Public corporations	14	3	1	6	19	23
Private non-financial corporations	1	2	1	1	1	1
Central government	0	0	0	0	3	8
Household sector	3	3	3	4	5	8
Rest of the World	0	0	0	0	0	8
Other sources	1	0	0	0	0	0

Local Authority Longer-term Borrowing, 2006-07 to 2011-12

1. **Table 4** provides figures for longer-term borrowing from 2006-07 to 2011-12 for the UK.

- Longer-term borrowing has increased every year between 2006-07 (£60.0bn) and 2011-12 (£81.4bn).
- Local authorities' longer-term borrowing from building societies has declined between 2010-11 and 2011-12, from £16m to £12m (27%).
- 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%); while total longer-term borrowing increased £3.5bn (5%).
- The large increase in negotiable bonds and commercial paper since 2009-10 is entirely accounted for by TfL and the GLA. These authorities also contributed £800m of the £1,120m increase in Rest of the World borrowing over the two years.
- 75% of all longer-term borrowing was with the Public Works Loan Board.

Table 4: Local Authority Longer-term Borrowing, 2006-07 to 2011-12

					£m as at 31 Mar		%change
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2012**
Negotiable bonds	656	594	597	597	594	1,494	152%
Commercial paper	0	0	0	0	432	1,854	329%
Other listed securities	532	524	430	430	413	412	0%
Public Works Loan Board	47,136	50,194	50,274	50,816	52,701	61,155	16%
Banks	9,063	10,305	10,703	11,382	11,802	11,635	-1%
Building societies	67	59	40	63	16	12	-27%
Other financial intermediaries	342	291	263	254	326	411	26%
Public corporations	2	1	2	2	4	3	-9%
Private non-financial corporations	2	2	2	2	2	13	683%
Central government	90	92	106	105	61	48	-22%
Household sector	9	8	8	8	6	6	-11%
Rest of the World[(a)]	2,079	2,383	2,695	3,177	3,414	4,297	26%
Other sources	18	15	12	12	12	13	1%
Total	**59,995**	**64,467**	**65,130**	**66,847**	**69,782**	**81,353**	**17%**

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.

Table 5: Longer-term Borrowing by Type

	% of temporary borrowing as at 31 Mar					
	2007	2008	2009	2010	2011	2012
Negotiable bonds	1	1	1	1	1	2
Commercial paper	0	0	0	0	1	2
Other listed securities	1	1	1	1	1	1
Public Works Loan Board	79	78	77	76	76	75
Banks UK	15	16	16	17	17	14
Building societies	0	0	0	0	0	0
Other financial intermediaries	1	0	0	0	0	1
Public corporations	0	0	0	0	0	0
Private non-financial corporations	0	0	0	0	0	0
Central government	0	0	0	0	0	0
Household sector	0	0	0	0	0	0
Rest of the World	3	4	4	5	5	5
Other sources	0	0	0	0	0	0

Local Authority Investments 2006-07 to 2011-12

- Total investments increased from £25.1bn in 2010-11 to £26.1bn in 2011-12.
- Investments in externally managed funds and deposits with banks and building societies declined, but this was more than outweighed by greater investment in Treasury bills, British government securities and money market funds. While bank deposits in particular fell by £1.0bn, investments in money market funds increased by £1.3bn.
- Of the £752m increase in British Government securities, £499m was from TfL.
- Use of the Debt Management Account (DMA) increased by 27% between 2010-11 and 2011-12. However, this still represented a substantial decrease from the level of over £2bn seen in 2008-09 and 2009-10.
- 62% of all investments as at 31st March 2012 were held in banks or building societies, a decrease from 69% the previous year, and from 84% as at 31st March 2008 before the Icelandic banks crisis.

Table 6: Local Authority Investments, 2006-07 to 2011-12

					£m as at 31 Mar		%change
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2012**
Deposits & CDs: banks	16,222	17,538	14,003	14,127	15,391	14,403	-6%
Deposits & CDs: building socs	7,357	10,361	6,659	2,323	1,970	1,884	-4%
Deposits: Rest of the World[(a)]	674	1,007	754	273	273	463	70%
DMA deposit facility	11	82	2,528	2,172	658	836	27%
Treasury bills[(b)]	64	6	0	131	1,028	1,164	13%
British Government securities	4	0	24	80	135	887	555%
Other financial intermediaries	46	154	39	41	46	42	-9%
Public corporations	103	104	107	153	156	153	-2%
Money market funds	226	607	1,221	1,384	2,847	4,152	46%
Other externally managed funds	3,715	2,903	2,525	2,524	2,220	1,835	-17%
Other investments	258	462	300	294	411	272	-34%
Total investments	**28,679**	**33,225**	**28,160**	**23,503**	**25,137**	**26,091**	**4%**

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) Includes funding received but not yet used for Crossrail.

Table 7: Investment by Type

	% of temporary borrowing as at 31 Mar					
	2007	2008	2009	2010	2011	2012
Deposits & CDs: banks	57	53	50	60	61	55
Deposits & CDs: building socs	26	31	24	10	8	7
Deposits: Rest of the World	2	3	3	1	1	2
DMA deposit facility	0	0	9	9	3	3
Treasury bills	0	0	0	1	4	4
British Government securities	0	0	0	0	1	3
Other financial intermediaries	0	0	0	0	0	0
Public corporations	0	0	0	1	1	1
Money market funds	1	2	4	6	11	16
Other externally managed funds	13	9	9	11	9	7
Other investments	1	1	1	1	2	1

Terminology used in this release

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.

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).

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 (i.e. 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 (i.e. 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 (i.e. Depfa bank plc).
A list of banks can be found at: www.fsa.gov.uk/Pages/Library/Other_publications/Banks

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.

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

Data quality

The information in this release is based on data returned to the Department for Communities and Local Government by local authorities in the UK on borrowing and investment forms.

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.

Uses made 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 be found on the Internet at:
http://www.ons.gov.uk/ons/publications/all-releases.html?definition=tcm%3A77-223986

Background Notes

1. The information in this Statistical Release has been derived from Monthly and Quarterly Borrowing and Investment Forms submitted by all Local Authorities in the UK.

2. Enquiries about this release should be addressed to Timo Long at timo.long@communities.gsi.gov.uk (Tel. 0303 444 1751).

3. The responsible statisticians for this release are Mike Young and Steven Melbourne who can be contacted on BORROWING.Statistics@communities.gsi.gov.uk

4. Timings of future releases are regularly placed on the Department's website, www.communities.gov.uk/corporate/researchandstatistics/statistics/publicationschedule/ and on the National Statistics website, www.statistics.gov.uk/hub/release-calendar/index.html

5. Further information is also available on the Department's website www.communities.gov.uk/localgovernment/localgovernmentfinance/

6. For a fuller picture of recent trends in local government finance readers are directed to *Local Government Financial Statistics The UK No.21 2011* which is available in hard copy from Cambertown Limited at product@communities.gsi.gov.uk (Tel: 0300 123 1124) and electronically in PDF format via the Department's web site: http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics212011

Symbols and convention used in this release

0	=	Zero or negligible

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

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