HM Treasury

Report under section 231 of the Banking Act 2009:

1 October 2020 to 31 March 2021

January 2023

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Presented to the House of Commons pursuant to section 231 of the Banking Act 2009

This publication is available at: www.gov.uk/official-documents.

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ISBN: 978-1-5286-3858-6 PU: 3266

E02847915

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Chapter 1
Introduction

1.1 Section 231 of the Banking Act 2009 ("the act") requires the Treasury to prepare reports about arrangements entered which involve or may require reliance on section 228(1) of the act. Section 228(1) allows the Treasury to make payments from money provided by Parliament or, pursuant to section 228(5), from the Consolidated Fund:

1. for any purpose in connection with Parts 1 to 3 of the act
2. in respect of, or in connection with, giving financial assistance to or in respect of a bank or other financial institution (the Secretary of State is also permitted to make such payments with the permission of the Treasury)
3. in respect of financial assistance to the Bank of England

1.2 This document covers the period beginning 1 October 2020 and ending 31 March 2021 and fulfils the requirement under section 231(2)(b) of the act to report on successive six-month periods. In accordance with section 231(4) of the act, the report does not specify individual arrangements, or identify, or enable the identification of individual beneficiaries.

1.3 This document does not cover expenditure incurred in relation to action taken under the Banking (Special Provisions) Act 2008.

1.4 Details of the support provided to financial institutions and the economy is set out in several places:

- HM Treasury's Annual Report and Accounts 2020-21 (HC 436) and its Main Supply Estimates for 2020-21 (HC 293).
- previous reports published in connection with the requirements of the Banking Act 2009 - www.gov.uk/government/collections/banking-act-reports
- UK Government Investments' website contains details of how it manages the government's shareholdings in various banks – www.ukgi.org.uk

1.5 Links to further information on government financial assistance schemes are provided in Annex A.

Chapter 2

Report covering 1 October 2020 to 31 March 2021

2.1 This chapter constitutes the report required to be prepared under section 231 of the act and provides information about arrangements entered in the period beginning 1 October 2020 and ending 31 March 2021 which involve or may require reliance on section 228(1) of the act. It excludes any income from financial sector interventions.

Table 2.A Period from 1 October 2020 to 31 March 2021

Department	Scheme/ Other commitments	New commitments £m	Utilisation or issuance £m	Cash expenditure £m
HM Treasury	Asset Purchase Facility - gilts	150,000	99,561	-
	Asset Purchase Facility – corporate bonds	-	147	-
	Help to Buy: Mortgage Guarantee Scheme	-	-	0.04
	Help to Buy: ISA	-	99	91.7
BEIS	Enable Funding Scheme	-	-	52.1
BEIS/DLUHC	Regional Growth Fund	-	-	1.4

2.2 The above table discloses new arrangements and expenditure by scheme where applicable and by type of commitment for other arrangements. 'New commitments' represent the maximum amount that the government has committed under a scheme or arrangement and do not represent the size of any expected future losses or cash payments. Provisions for expected losses, if any, are included in departmental annual reports and accounts and Parliamentary Estimates. 'Utilisation or issuance' represents the net amount of a total facility which was used or the net increase in the amount of guarantees which were issued during the reporting period. This includes reinvestment where that reinvestment utilises the Banking Act. 'Cash expenditure' represents cash amounts paid out in respect of schemes or other commitments.

1. Asset Purchase Facility: At 31 March 2021, the authorised limit of the APF was £895 billion, an increase of £150 billion from the limit at 30 September 2020. The £895 billion limit includes at least £20 billion of investment-grade corporate bond purchases, with the remainder to be made up of gilt purchases. During the period 1 October 2020 – 31 March 2021, net corporate bond purchases of £147 million were positive, comprised of £213 million of corporate bond redemptions and £360 million reinvestments and additional purchases taking place. Net gilt purchases of £99,561 million were also positive during this period as reinvestments of gilt holdings and additional purchases (£106,317 million) exceeded redemptions (£6,756 million).

2. Help to Buy: Mortgage Guarantee Scheme: Between 1 October 2020 and 31 March 2021, £0.04 million was paid out in claims.

3. Help to Buy: ISA scheme: The Help to Buy: ISA scheme was launched on 1 December 2015 with accounts available through banks, building societies and credit unions. The scheme enables people saving for their first home to receive a 25% boost to their savings up to a maximum of £3,000 when they buy a property of £250,000 or less (with a higher price limit of £450,000 in London). Between 1 October 2020 and 31 March 2021, the maximum potential liability increased by £99million bringing the total maximum potential liability as at 31 March 2021 to £1,172million. Between 1 October 2020 and 31 March 2021 £91.7million was drawn.

4. Enable Funding scheme: The Enable Funding scheme aims to improve the provision of asset and lease finance to smaller UK businesses. Between 1 October 2020 and 31 March 2021, £52.1million was drawn, £Nil was paid out in claims.

5. Regional Growth Fund: Between 1 October 2020 and 31 March 2021, the Department for Business, Energy & Industrial Strategy (BEIS) reinvested £1.4 million from loan receipts to match a similar amount invested by selected banks for onward lending to small and medium-sized entities.

2.3 There is nothing to report in the period for Equity investments and capital contribution – financial market access, the Enable Guarantee Scheme, or the NewBuy Guarantee Scheme as there were no new commitments, utilisation had either stayed the same or decreased at the period end and no cash expenditure was incurred.

2.4 Additional information on all of the above schemes is in Annex A and in the published information referred to therein.

Annex A
Government financial assistance schemes

HM Treasury

Asset Purchase Facility

A.1 In January 2009, the Chancellor of the Exchequer ("the Chancellor") authorised the Bank of England ("the Bank") to set up the Asset Purchase Facility (APF) to buy high-quality assets financed by the issue of Treasury bills. The aim of the facility was to improve liquidity in credit markets. The Chancellor also announced that the APF would operate as an additional tool that the Monetary Policy Committee could use for monetary policy purposes. When the APF is used for monetary policy purposes, purchases of assets are financed by the creation of central bank reserves.

A.2 In March 2020, the Chancellor authorised the limit on purchases that may be undertaken by the APF to be raised by £200 billion to £645 billion. The increase in the authorised limit included at least £10 billion of additional investment-grade corporate bond purchases, with the remainder of the increase to be made up of additional gilt purchases. The Chancellor authorised an increase in the limit on gilt purchases that may be undertaken by the APF by a further £100 billion in June 2020 and an additional £150 billion in November 2020. This took the total authorised limit on purchases that may be undertaken by the APF to £895 billion, of which at least £20 billion can consist of investment-grade corporate bond purchases.

A.3 HM Treasury has indemnified the Bank of England Asset Purchase Facility Fund (BEAPFF) from any losses arising out of, or in connection with, the facility. Further information on the APF can be found at: https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/our-tools#APF

Help to Buy: Mortgage Guarantee Scheme

A.4 The Help to Buy: Mortgage Guarantee Scheme opened on 8 October 2013 with the aim of increasing the availability of high loan-to-value mortgages for creditworthy borrowers. The guarantees formally came into effect on 2 January 2014. Under the scheme the government offered lenders the option to purchase a guarantee on mortgage loans where the borrower had a deposit of between 5% and 20%. The guarantee compensated mortgage lenders for a portion of net losses suffered in the event of repossession. Lenders were charged a commercial fee for participation in the scheme, which covered the scheme's expected losses, the cost of capital and the administration costs. Over the life of the scheme the government made available up to £12 billion of guarantees, which was sufficient to support up to £130 billion of high loan-to-value mortgages. The Help to Buy: Mortgage Guarantee Scheme closed to new loans on the 31 December 2016 as planned. Participating mortgage lenders were allowed to complete loans into the scheme until 30 June 2017, where they had an application date on or before 31 December 2016.

Help to Buy: ISA

A.5 The Help to Buy: ISA scheme was launched on 1 December 2015 with accounts available through banks, building societies and credit unions. The scheme enables people saving for their first home to receive a 25% boost to their savings from the Government when they buy a property of £250,000 or less (with a higher price limit of £450,000 in London). This means that for every £200 saved, first-time buyers can receive a government bonus of £50. The maximum government bonus is £3,000. The scheme closed to new accounts on 30 November 2019 however, Help to Buy: ISA account holders can continue saving into their account until 30 November 2029 when accounts will close to additional contributions. The Help to Buy: ISA government bonus must be claimed by 1 December 2030. Further information can be found at: https://www.ownyourhome.gov.uk/scheme/help-to-buy-isa/

Department for Business, Energy and Industrial Strategy (BEIS)

Enable Guarantee Scheme

A.6 The Enable Guarantee Scheme aims to address capital constraints associated with SME lending by enabling participating bank originators to share a portion of the credit risk of a newly originated small business lending portfolio with HM Government in return for a fee. This will lead to a reduction in capital requirements connected to the guaranteed lending, thus making SME lending more commercially attractive for the bank originator.

Enable Funding Scheme

A.7 The Enable Funding scheme aims to improve the provision of asset and lease finance to smaller UK businesses. Asset finance is an important source of finance for smaller businesses, but providers of such finance often lack the scale to access capital markets – a key source of funding for lending institutions – in a cost-efficient manner. Enable Funding will warehouse newly-originated asset finance receivables from different originators – bringing them together into a new structure. Once the structure has sufficient scale, it will refinance a portion of its funding on the capital markets, helping small finance providers to tap institutional investors' funds.

Department for Levelling up, Housing and Communities (DLUHC)

NewBuy Guarantee Scheme

A.8 The NewBuy Guarantee scheme assisted buyers who had a deposit of at least 5% to buy a new build home. The scheme allowed more borrowers to obtain up to 95% loan-to-value mortgages on new build properties from participating builders in England. The scheme closed to new mortgage offers in March 2015. Further information can be found at: www.gov.uk/government/policies/helping-people-to-buy-a-home/supporting-pages/help-for-first-time-buyers

A.9 NewBuy guarantees on individual policies are valid for seven years from date of sale and all sales occurred between 2012 and 2015. The government guarantees only end only once all properties within a given cell have come off risk (i.e. all the builder guarantees in the same cells have reached the end of the seven years). This has started to occur, so the total value of government guarantee has started to decrease; and will continue to decrease until the end of 2022, when there will be no outstanding government guarantees.

BEIS/DLUHC

Regional Growth Fund

A.10 The Regional Growth Fund (RGF) is a £2.6 billion fund operating across England from 2011 to 2017. It supports projects and programmes with significant potential for economic growth that can create additional, sustainable private sector employment. It aims particularly to help those areas and communities which were dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. The majority of funds disbursed under the RGF scheme have been provided under the vires of the Industrial Development Act but, where intermediaries are banks, the Banking Act is used. The economic context has changed since 2011 when the first round was launched and following the 2015 Spending Review no future rounds are proposed. Further information can be found at: www.gov.uk/understanding-the-regional-growth-fund

HM Treasury contacts

This document can be downloaded from www.gov.uk

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