

## Borrowing and Investing Activity by Local Authorities in England – Quarter 1 2017/18

The Department for Communities and Local Government (DCLG) collects and publishes statistics on borrowing and investing by local authorities each quarter. The statistics for the first quarter on 2017/18 have now been published.

The statistics reveal interesting trends. Investments in the Debt Management Account Deposit Facility (DMADF, also known as DMO) doubled in the first quarter of the year, as returns from other short-term instruments fell. DMO deposits by UK local authorities were £807m as at 30 June, compared to £425m a year earlier. Over the same period, total investment in treasury bills fell from £1,474m to £527m. The yield on treasury bills fell to the extent that the 0.1% earned on DMO term deposits became relatively attractive.

In addition, lending to other local authorities rose again, while there was a large fall in deposits with building societies from £3.1bn to £1.8bn. Building societies do not often seek deposits from local authorities, and the suggested investment duration from Capita Asset Services for three of the larger societies has been reduced to 100 days. By comparison most large UK banks have a suggested duration of six months. Term deposits of six months' duration would tend to achieve a higher rate of return than 100-day deposits.

Money market funds continued to attract funds from local authorities, despite the reduction in return offered. However, MMFs do satisfy the three key pillars of treasury management, being security, liquidity, and yield.

Most local authority borrowing continues to be longer-term, and the Public Works Loan Board is the main source of loans. The movement in Chorley Council's borrowing during 2017/18 is shown in the following table. Temporary borrowing has been repaid, and no new borrowing taken as at 30 June.

### Movements in Borrowing Q1 2017/18

	Balance as at 1 April 2017 £000s	Borrowing repaid £000s	New Borrowing £000s	Balance as at 30 June 2017 £000s
PWLB repayable within 12 months	1,417	(596)		821
Temporary loans (local authorities)	7,001	(7,001)		0
	8,418	(7,597)	0	821
PWLB long-term	10,252			10,252
<b>Total borrowing</b>	<b>18,670</b>	<b>(7,597)</b>	<b>0</b>	<b>11,073</b>

The following tables show Chorley Council's borrowing and investing activity for the quarter to 30 June 2017 compared to other local authorities in England only.

**Borrowing by Local Authorities in England**

	England		Chorley Council	
	2017/18 Q1 £000s	2017/18 Q1 %	2017/18 Q1 £000s	2017/18 Q1 %
<b>Short term borrowing</b>				
Banks	55,822	0.07	0	0.00
Building societies	0	0.00	0	0.00
Other financial intermediaries	135,526	0.16	0	0.00
Public corporations	28,554	0.03	0	0.00
Private non-financial corporations	13,382	0.02	0	0.00
Central government	0	0.00	0	0.00
Household sector	18,970	0.02	0	0.00
Other sources	43,309	0.05	0	0.00
Local Authorities	5,620,754	6.80	0	0.00
<b>Total</b>	<b>5,916,317</b>	<b>7.15</b>	<b>0</b>	<b>0.00</b>
<b>Longer-term borrowing</b>				
Negotiable bonds & commercial paper	4,383,500	5.30	0	0.00
Other listed securities	1,250,962	1.51	0	0.00
Public Works Loan Board	53,458,563	64.63	11,073	100.00
Banks UK	8,291,646	10.03	0	0.00
Building societies	10,500	0.01	0	0.00
Other financial intermediaries	542,730	0.66	0	0.00
Public corporations	5,735	0.01	0	0.00
Private non-financial corporations	156,147	0.19	0	0.00
Central government	189,455	0.23	0	0.00
Household sector	935	0.00	0	0.00
Other sources	6,444,022	7.79	0	0.00
Local Authorities	2,055,435	2.49	0	0.00
<b>Total</b>	<b>76,789,630</b>	<b>92.85</b>	<b>11,073</b>	<b>100.00</b>
<b>Total borrowing</b>	<b>82,705,947</b>	<b>100.00</b>	<b>11,073</b>	<b>100.00</b>

To the end of the quarter, Chorley Council had not taken any additional external borrowing, and subsequently has required only temporary borrowing which – at the time of preparing this report – has been repaid.

As a number of large capital projects are currently underway, the likelihood is that further borrowing will be required in the near future, as envisaged in the Treasury Strategy for 2017/18.

**Investing by Local Authorities in England**

	England		Chorley Council	
	2017/18 Q1 £000s	2017/18 Q1 %	2017/18 Q1 £000s	2017/18 Q1 %
Deposits: banks	11,702,567	31.57	2,434	46.06
Deposits: building societies	1,666,974	4.50	0	0.00
Treasury bills	526,761	1.42	0	0.00
Certificates of deposit: banks	832,764	2.25	0	0.00
Certificates of deposit: building societies	82,232	0.22	0	0.00
British Government (Gilt-edge) securities	435,117	1.17	0	0.00
Other financial intermediaries	47,428	0.13	0	0.00
Public corporations	1,064,676	2.87	0	0.00
Debt Management Account deposit facility (DMO)	735,938	1.99	0	0.00
Money market funds	7,160,639	19.32	2,850	53.94
Other externally managed funds	1,911,858	5.16	0	0.00
Other investments <sup>(a)</sup>	4,085,235	11.02	0	0.00
Local Authorities	6,811,284	18.38	0	0.00
<b>Total investments</b>	<b>37,063,473</b>	<b>100.00</b>	<b>5,284</b>	<b>100.00</b>

(a) Other investments include items authorities report as rest of world banks, other securities and other investments.

The council continues to minimise cash available for investment by using balances as an alternative to external borrowing. This has meant that cash has been invested for only short periods in highly liquid accounts such as Money market Funds and bank call accounts.