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**Coverage**  
United Kingdom  
**Theme**  
The Economy

## Statistical classification of Northern Rock plc

Northern Rock plc will be classified to the public sector for statistical purposes, the Office for National Statistics has announced today. Northern Rock plc will be classified as a public financial corporation from 9 October 2007, when the support arrangements provided by the Bank of England were amended. Prior to this date it was classified to the private sector.

The decision is in line with international statistical guidance. It should not be confused with 'nationalisation', which is a term commonly used to refer to public ownership. National Accounts classification is determined by control of 'general corporate policy', which does not always coincide with ownership.

The decision is based on a judgement that the public sector has the power to control Northern Rock plc's general corporate policy. This is largely due to powers that the Bank of England has taken as part of its secured lending facility arrangements through covenants in the loan agreements. While amounts are outstanding under this loan, Northern Rock plc requires permission from the Bank of England before undertaking certain activities – for example, entering into any corporate restructuring; making substantial changes to the general nature of the business; making dividend payments; and acquiring or disposing of certain types of assets.

This decision also required ONS to examine the structures and arrangements used in Northern Rock plc's borrowing programme, which involves securitisation of mortgage assets. The ONS judgement here is to also classify to the public sector the UK-resident special purpose vehicles used in the securitisation programme.

The exact impact of Northern Rock plc's inclusion in public sector net debt cannot be stated at this time because it was not possible to collect the relevant data from Northern Rock plc in advance of this announcement and it would have involved disclosing commercially sensitive information. However, the reclassification will be reflected in the Public Sector Finances dataset as soon as possible.

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To allow for a consistent and meaningful presentation of the dataset the Bank of England, which is also a public financial corporation, will also be fully included within the Public Sector Finances at the same time. Transactions and positions between Northern Rock plc and the Bank of England will be netted out as they are taking place between one part of the public sector and another.

Government guarantees in relation to Northern Rock plc's borrowings and depositors are classified as contingent liabilities for the purposes of National Accounts and Public Sector Finances statistics. International standards define that contingent liabilities are excluded – they would only impact if they were called.

The implications for the classification of Northern Rock plc of any future changes in the support arrangements would be reviewed in due course following ONS's established procedures for deciding classification cases, which are described at [www.statistics.gov.uk/about/consultations/integration\\_classification.asp](http://www.statistics.gov.uk/about/consultations/integration_classification.asp)

#### **BACKGROUND NOTES**

1. Further information on the classification of Northern Rock and the implications for the Public Sector Finances and National Accounts can be found in the detailed article published at [www.statistics.gov.uk/northernrock](http://www.statistics.gov.uk/northernrock)
2. A separate article on the Bank of England's inclusion in Public Sector Finances can be found at [www.statistics.gov.uk/boe-classification](http://www.statistics.gov.uk/boe-classification)
3. The decision to classify Northern Rock plc as a public financial corporation has been authorised by the National Statistician.

#### **Release of information**

4. Under the National Statistics Code of Practice, all important methodological decisions, and the reasons for them, are to be made publicly available in advance of the release of statistics based upon them.
5. The Sector Classification Guide and full documentation detailing major National Accounts classification decisions is available on the National Statistics website at [www.statistics.gov.uk/nacc](http://www.statistics.gov.uk/nacc). The Guide is updated at the end of each month.

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