

REDUCTION OF THE UK'S WAYS AND MEANS FACILITY: 24 JANUARY 2008

The "ways and means facility" is the central government's overdraft facility at the Bank of England. Until 2000, when the Debt Management Office (DMO) took responsibility for the government's cash management function from the Bank of England, the facility was used as the means of balancing the Government's day-to-day cash needs. It has always been the Government's intention to reduce the advance over time.

The current level of borrowing under the ways and means facility is £13.4 billion. HM Treasury has today, 24 January 2008, instructed an initial part repayment of the ways and means balance, with a payment to the Bank of England of £4.0 billion. The repayment will be funded in the first instance by the DMO as part of its in year cash management operations of FY 2007-08 and will in due course be taken into account in funding the 2008-09 financing requirement.

This action is being undertaken now in order to provide the Bank of England with additional flexibility in managing its balance sheet.

It remains the Government's policy to use DMO's cash management operations to meet fluctuations in the government's cash needs rather than through fluctuations in the ways and means facility.

Notes

1. On the Bank of England's balance sheet, the ways and means advance is accounted for as one of the assets backing the bank note issue.
2. In 2000, when cash management operations were moved from the Bank of England to the DMO, a decision was taken not to use the ways and means advance for cash management purposes. Please refer to the Debt Management Report 1999-2000 on HM Treasury website or follow this link <http://www.hm-treasury.gov.uk/media/E/2/165.pdf>.