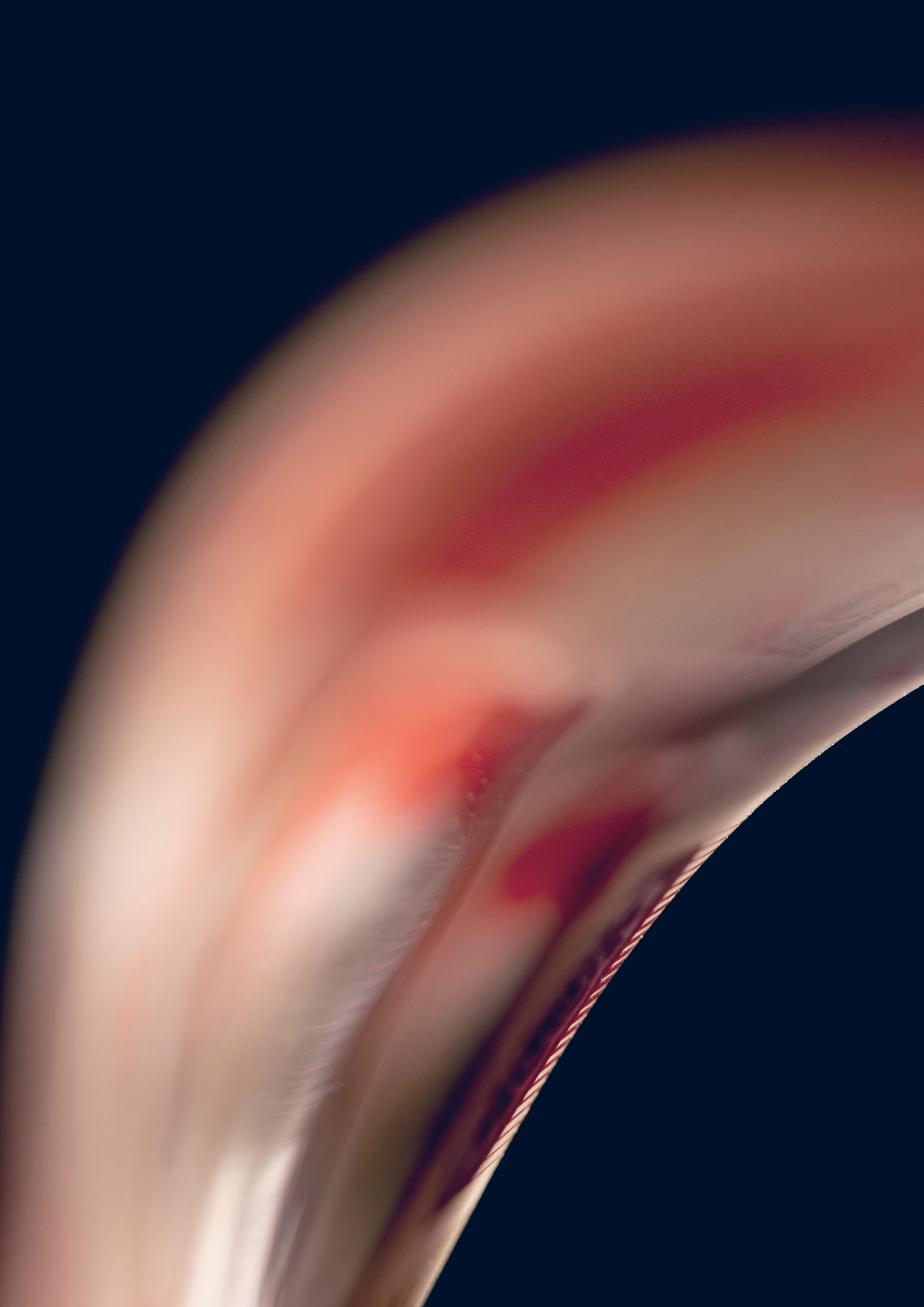
Bank of England

Annual Report and Accounts

1 March 2023–29 February 2024



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1 March 2023 to 29 February 2024

Presented to Parliament by the Chief Secretary to the Treasury
by Command of His Majesty

The contents of this Report encompass the requirements of Section 4 of the Bank of England Act 1998, and include: (1) a report by the Court of Directors (Court) on the matters which it reviews, monitors or otherwise considers in the performance of its oversight functions (S4(2)(a)); (2) a report by Court on the activities of the Financial Policy Committee of the Bank (S4(2)(aa)); (3) a copy of the statements for the year prepared under section 7(2) and 7(2A) and the report of the Bank's auditors on them (S4(2)(b)); (4) a statement of the rates at which Non-executive Directors of the Bank have been remunerated (S4(4)(a)); and (5) a statement of the Bank's objectives and strategy for the next year, as determined by Court (S4(4)(b)).

The Bank, in its capacity as the Prudential Regulation Authority, has published a separate report as required by paragraph 19 of Schedule 1ZB of the Financial Services and Markets Act 2000 as amended by the Financial Services and Markets Act 2023. The Bank has also published a separate report, as required by section 203B of the Banking Act 2009, paragraph 33 of Schedule 17A of the Financial Services and Markets Act 2000 as amended by the Financial Services and Markets Act 2023 and Regulation 25 of the Central Counterparties (Amendment, etc, and Transitional Provision) (EU Exit) Regulations 2018/1184, on its supervision of Financial Market Infrastructures.

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David Roberts
Chair of Court

Over the past 12 months, the Bank has made progress on its key objectives and priorities, while continuing to deal with a challenging external backdrop. That reflects the dedication and commitment of the Bank's leadership and staff, to whom I would like to express my deep thanks.

As the Governor mentions in his foreword, inflation has continued to fall towards the 2% target as upward pressure on energy and other global prices has faded, and the Monetary Policy Committee's restrictive monetary policy stance weighs on domestic inflationary pressures. Elsewhere, the Financial Policy Committee has made progress on reducing vulnerabilities in market-based finance. The passing of the Financial Services and Markets Act 2023 has strengthened the regime for supervision of Financial Market Infrastructure – including the introduction of a new statutory policy committee, the Financial Market Infrastructure Committee. That same Act has also given the Prudential Regulation Committee a new secondary objective to support the growth and competitiveness of the UK. Reflecting the importance of this new objective, Court asked the Bank's Independent Evaluation Office (IEO) to assess whether the Prudential Regulation Authority is set up for success in delivering on this, and their conclusions are published alongside this Report.

I would also like to highlight the progress that the Bank has made – and further progress it needs to make – not just on what it does but how it does it. Court has focused this year on overseeing the process of modernising the Bank's operations and making sure it is fit for the next decade in terms of its culture, people, data and technology.

In common with all large financial organisations, the Bank faces many challenges and opportunities from the move to modern cloud-based technology and the development of tools like Artificial Intelligence. We are embracing these changes: for instance, we have seen real progress made on building out the Bank's target technology and data architecture and on the Real-Time Gross Settlement Renewal Programme that will replace critical payments infrastructure. Court welcomed the IEO's evaluation of the Bank's data and analytics work, and the ambitious, but achievable, plans set out in the Bank's response, which is expanded upon in the new data strategy released alongside this Report.

Implementation of the revised technology and data strategies will have far-reaching impacts on the way the Bank works. However, while necessary this is not sufficient. It is therefore essential the Bank continues to invest in building its future leadership capability alongside developing a more diverse and inclusive organisation. In a world of greater uncertainty, it will be central to delivery of the Bank's mission that we access all available pools of talent and ensure the Bank's decision-making processes benefit from differing backgrounds, experiences, and viewpoints. The Bank has made progress in the last year, pushing forward our people-related agenda. For example, the Bank has continued to enhance its proactive and merit-based approach to succession planning. The Bank also continues to make progress towards improved diversity. And we have hit the majority of the interim targets set out in the 2021 Court Review of Ethnic Diversity. However, whilst this is encouraging, more progress is needed, and Court remains focused on overseeing delivery.

In Summer 2023, Court commissioned Dr Ben Bernanke to review the Bank's approach to forecasting for monetary policy making. The review focused on how the Bank should approach its economic forecasts in times of significant uncertainty, highlighting areas for improvement, including important recommendations for the Bank to ensure its systems and approach are fit for the future. Court welcomed Dr Bernanke's report and the Bank's response and will ensure the Bank delivers on its plans over coming years in this crucial area of its responsibilities.

The modern Bank also has to understand the society it has the privilege to serve. That is why it is so important that the Bank's leadership and policymakers spend time hearing first-hand from business and individuals on their experience of the economy and financial system and how our policies affect them. For example, I have greatly appreciated my own visits which included time spent in Northern Ireland, Leeds, Newcastle and Kent.

Finally, I would like to thank my colleagues on Court for their continued contributions to the work of the Bank. I would like to particularly thank Sir Jon Cunliffe, who left the Bank in October 2023, and Ben Broadbent who leaves in June 2024 for their tremendous contributions during their periods as Deputy Governors for Financial Stability and Monetary Policy respectively. And I welcome three new Court members, Sarah Breeden, as Deputy Governor for Financial Stability, Clare Lombardelli, as Deputy Governor for Monetary Policy, and Jonathan Bewes as a non-executive director and Chair of our Audit and Risk Committee, all of whom I look forward to working with over coming years.

Modernising the Bank is crucial in a world where volatility and uncertainty are likely to remain the norm rather than the exception. The Bank is full of extremely talented people and Court remains focused on ensuring we build the culture, technology and capability to make the most of their skills, thereby delivering the enduring mission of the Bank to serve the people of the United Kingdom.

David Roberts
11 June 2024

Statement by the Governor

Andrew Bailey
Governor

This year has been another in which the Bank has spared no effort to deliver our objectives, in particular working to restore inflation to target in a timely and sustainable way. As I reach the halfway point of my term I am also proud to see progress being made towards realising my vision for a more agile and modern Bank that invests in the future. Once again I am hugely grateful to all Bank of England staff for their hard work and dedication.

Consumer price inflation has fallen steadily since its peak as the global factors that pushed it up fade, and as decisions by the Monetary Policy Committee (MPC) to increase interest rates have their intended effect.

The inflation that occurred in the UK during 2022 and 2023, and that had such an acute impact on households and businesses, was the result of shocks including Covid and Russia's appalling and unprovoked invasion of Ukraine. In July 2023, Court announced that Dr Ben Bernanke had agreed to lead a review into our forecasting and related processes during periods of such heightened uncertainty. The review made a number of recommendations, highlighting areas for improvement, that the Bank will now work to implement. I am very grateful to Dr Bernanke for his valuable insights.

As ever the MPC's assessment of the economy has been supported by information received from business contacts right across the UK. I am again indebted to our contacts for their insights, and to the Bank's 12 regional agents who have helped me to meet with a wide range of firms to hear their perspectives during my visits to every region of the country over the last year.

The Bank has continued to deliver financial stability and to ensure that UK banks, building societies and insurers remain resilient. This resilience was illustrated in the 2022/23 annual cyclical stress test (which tested major UK banks' resilience to a severe global and domestic downturn and interest rate shock) as well as the 2022 cyber stress test, results of which were published during the year.

However, high profile cases like the failures of Silicon Valley Bank and Credit Suisse in March 2023 remind us that we cannot be complacent. We have supported domestic and international efforts to learn lessons including – following work in relation to SVB (UK) – through plans for targeted additions to the Bank's resolution toolkit to manage the failure of smaller banks.

The past year also saw progress on regulatory reform, including on a new regime for UK insurers (Solvency UK) and the final set of post-crisis capital reforms for banks (Basel 3.1). The Financial Services and Markets Act 2023 also marked a milestone in prudential regulation, giving the Prudential Regulation Authority a secondary objective to support the growth and competitiveness of the UK; and creating a new statutory framework for the supervision of Financial Market Infrastructure firms.

Beyond the core of the financial sector, there remains a need to increase resilience in market-based finance. Alongside international work led by the Financial Stability Board, the Financial Policy Committee is working with other UK authorities to reduce vulnerabilities. This work includes a system-wide exploratory scenario exercise that has been launched to help us understand how banks and non-banks might act and interact during very severe shocks in financial markets.

In April 2024 it was my privilege to present His Majesty King Charles III with a set of the Bank of England banknotes bearing his portrait that entered circulation in June.

When I became Governor, I set out a vision for a Bank of England that is in step with the changing world. That vision remains vital, and only by investing in our capabilities can we hope to serve the people of the United Kingdom as well in future as we have for many decades.

Work to modernise the UK's payments systems to better support innovation is progressing well. 2023 saw the Real-Time Gross Settlement Renewal Programme take critical steps forward, and we have begun detailed design work on future forms of payments and digital money.

2023 also saw progress in more inward-facing work, for instance to improve our strategic planning capabilities and to move the Bank's financing arrangements onto a more sustainable footing. We continue to modernise our technology and to invest in a cutting-edge data and analytics strategy that will underpin our policy activity for years to come. Following the closure of the Bank's Leeds cash centre in 2023, we have moved forward with our regional strategy including by opening a new, larger office in Leeds.

We also continue to take steps to make the Bank a more diverse and inclusive place to work. During the last year the Bank's Executive Director cohort became, for the first time, majority female. The MPC will similarly have a majority of female members after July.

Finally, I would like to reiterate my thanks to Sir Jon Cunliffe, whose term as Deputy Governor for Financial Stability ended on 31 October 2023, and to Ben Broadbent, who leaves the Bank on 30 June 2024. Both have made a huge contribution to the Bank over the last decade. They – like so many Bank colleagues – are shining examples of public service at its best.

Andrew Bailey
11 June 2024

Court and the Bank's policy committees

The Court of Directors acts as a unitary Board, with executive and non-executive members and an independent non-executive chair.

Court sets the Bank's strategy and budget, takes key decisions on resourcing and appointments, and keeps the Bank's performance and financial management under review. The Court meets at least seven times a year, and its minutes are published.[1]

Members of Court are appointed by the Crown, for periods of eight years in the case of the Governor, five years per term for the Deputy Governors, and up to four years per term for the Non-executive Directors (NEDs). The Chancellor of the Exchequer appoints a Chair to lead Court as a NED.

Court delegates the day-to-day management of the Bank to the Governor and through him to other members of the executive. But it reserves to itself a number of key decisions, including:

- the Bank's strategy and objectives;
- the Bank's (including the PRA's) expenditure budget;
- major capital projects;
- the Bank's financial framework;
- the Bank's risk tolerance framework;
- approval of the accounts and the appointment of auditors;
- the remit for managing the Bank's balance sheet;
- senior appointments within the Bank and succession planning; and
- major changes in staff remuneration and pension arrangements.

The permanent sub-committees of Court are the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee. Terms of reference of these and other committees are published on the Bank's website.[2]

Members of Court and the Chief Operating Officer have been indemnified by the Bank against personal civil liability arising from the carrying out or purported carrying out of their functions, provided they have acted honestly and in good faith and have not acted recklessly. These indemnities were first granted in 2000 and approved by HM Treasury in accordance with the practice of the HM Government in relation to board members of Non-Departmental Public Bodies.

1. **www.bankofengland.co.uk/about/people/court-of-directors**.
2. **www.bankofengland.co.uk/about/people/court-of-directors/governance-of-the-bank-of-england-including-matters-reserved-to-court**.

The Court of Directors as at 11 June 2024

David Roberts
Chair of Court

Appointed NED 24 October 2022
Term expires on 23 October 2026

- Advisory Board Member, The Mentoring Foundation
- Advisor to Chair, Campion Willcocks Limited
- Advisory Board Member, Henley Business School, University of Reading

Andrew Bailey
Governor

Appointed 16 March 2020
Term expires on 15 March 2028

- Chair, Standing Committee on Supervisory and Regulatory Co-operation, Financial Stability Board
- Chair, Plenary of the Central Bank Counterfeit Deterrence Group
- Co-President, the Heart of the City of London
- Director and Member of the Audit Committee, BIS
- Member, Bretton Woods Committee
- Member, Plenary and Steering Committee, Financial Stability Board
- Member, Group of Governors and Heads of Supervision, Basel Committee on Banking Supervision
- Member, G7 and G20 Central Bank Governors Group
- Member, G30
- Vice President, City of London Endowment Trust for St Paul's Cathedral
- UK Alternate Governor, IMF

Jonathan Bewes

Appointed NED 1 October 2023
Term expires on 30 September 2027

- Independent Non-Executive Director and Chair of Audit and Risk Committee, Sage Group Plc
- Senior Independent Non-Executive Director, Chair of Audit, and member of the Nominations and Remuneration Committees, Next Plc
- Trustee and Chair of the Investment Committee, The Stowe School Foundation
- Trustee, Member of the Council and Chair of Finance Committee, Durham University
- School Governor, Moulsford School
- Court member, Worshipful Company of Chartered Accountants of England and Wales; the Worshipful Company of Fan Makers

Sarah Breeden
Deputy Governor, Financial Stability

Appointed 1 November 2023
Term expires on 31 October 2028

- Chair, Financial Stability Board Climate Vulnerabilities and Data Group
- Member, Financial Stability Board Standing Committee for the Assessment of Vulnerabilities
- Member, G20 Deputies
- Member Steering Group of the International Central Bank and supervisors' Network for Greening the Financial System (NGFS)
- Trustee and Member of the Finance and Audit Committee, Education Endowment Foundation

Ben Broadbent
Deputy Governor, Monetary Policy

Appointed 1 July 2014
Term expires on 30 June 2024

- Member, OECD Working Party No. 3
- G7 Deputies
- Member, Bellagio Group (ex officio)
- Trustee, National Gallery Trust Foundation

Sabine Chalmers

Appointed NED 1 January 2023
Term expires on 31 December 2026

- General Counsel, Director of Regulatory Affairs and Company Secretary of BT Group Plc
- Director, Continental Grain
- Non-Executive Director, Anheuser-Busch InBev SA/NV
- Member, Supervisory Committee Ardian
- Trustee, Royal National Theatre

Lord Jitesh Gadhia

Appointed NED 24 October 2022
Term expires on 23 October 2026

- Member, House of Lords
- Member, Advisory Credit Committee, HM Treasury
- Non-Executive Director, Rolls-Royce Holdings
- Non-Executive Director, Taylor Wimpey
- Non-Executive Director, Compare the Market
- Non-Executive Director, Accord Healthcare
- Non-Executive Director, Bard Topco
- Trustee and Chair, The British Asian Trust

Anne Glover

Appointed NED 1 June 2018
Term expires on 31 May 2026

- Co-founder and CEO, Amadeus Capital Partners
- Director, BKraft Holding
- Director, Nu Quantum
- Director and sole owner, Calderstone Capital
- Member, Investment Committee, Yale Corporation
- Member, Campaign Committee for Old Court, Clare 700
- Member, Venture Capital Investment Committee, BII Group
- Member of UK Investment Council
- Member, External Advisory Board, Monataro Global Innovations Fund
- Special Advisor, BEIS Sub-Committee on National Security and Investment
- Trustee and Chair, Investment Committee of UnLtd
- Trustee, the Professor John Glover Memorial Fund
- Member of Advisory Panel to the Labour Party on financial services

Sir Ron Kalifa
Senior Independent Director

Appointed NED 1 June 2019
Term expires on 31 May 2027

- Chair, Network International
- Director, RMK Consulting Services
- Non-Executive Director, InterContinental Hotels Group (IHG)
- Trustee and Chair of Finance Committee, The Royal Foundation
- Non-Executive Director and Member of Audit Committee, England and Wales Cricket Board
- Member, and Member of Finance Committee, Council of Imperial College, London
- Member of Advisory Panel to the Labour Party on financial services

Diana Noble
Deputy Chair

Appointed NED 1 June 2018
Term expires on 31 May 2026

- Chair, The Children's Society
- Non-Executive Director and Member of Governance, Nominating and Compensation Committee, Brookfield Asset Management
- Non-Executive Governor, Chair of People and Remuneration Committee and Member of Investment Committee, The Wellcome Trust
- Founder partner, Kirkos Partners

Frances O'Grady

Appointed NED 1 June 2019
Term expires on 31 May 2027

- Council member, Institute for Fiscal Studies
- Member, House of Lords
- Chair, House of Lords Committee of a special inquiry into the Modern Slavery Act
- Review on Closing the Gender Pay Gap for the Labour Party

Sir Dave Ramsden
Deputy Governor, Markets, Banking, Payments and Resolution

Appointed 4 September 2017
Term expires on 3 September 2027

- Member, Committee on the Global Financial System, BIS
- Governor, National Institute of Economic and Social Research
- Member, Council of the Institute for Fiscal Studies
- Member, CCP Advisory Board
- President, Society of Professional Economists
- President, Money Macro and Finance Research Society
- Visiting Professor, King's College London

Tom Shropshire

Appointed NED 1 November 2022
Term expires on 31 October 2026

- General Counsel and Company Secretary, Diageo
- Director, Comic Relief
- Patron, Amos Bursary
- Interim Chair and trustee, Charitable Projects (Comic Relief)
- Trustee, New York University School of Law

Sam Woods
Deputy Governor, Prudential Regulation, and Chief Executive of the PRA

Appointed 1 July 2016
Term expires on 30 June 2026

- Board Member, Financial Conduct Authority
- Member, Standing Committee on Supervisory and Regulatory Co-operation, Financial Stability Board
- Member, Group of Governors and Heads of Supervision, Basel Committee on Banking Supervision
- BIS Financial Stability Institute Advisory Board

In the interests of transparency, the Bank maintains a public register of interests for its most senior officials. See **www.bankofengland.co.uk/-/media/boe/files/about/register-of-interests.pdf**.

Policy committees:
Monetary Policy Committee (MPC)

Members as at 11 June 2024[3]

Andrew Bailey
Governor,
Chair of the MPC

Sarah Breeden
Deputy Governor,
Financial Stability

Ben Broadbent
Deputy Governor,
Monetary Policy

Swati Dhingra
External member
Term: 9 August 2022
– 8 August 2025

Megan Greene
External member
Term: 5 July 2023
– 4 July 2026

Jonathan Haskel
External member
Term: 1 September 2018
– 31 August 2024

Catherine L Mann
External member
Term: 1 September 2021
– 31 August 2027

Huw Pill
Executive Director,
Monetary Analysis
and Chief Economist
Term: 6 September 2021
– 5 September 2024

Sir Dave Ramsden
Deputy Governor,
Markets, Banking,
Payments and Resolution

The Bank of England's MPC contributes to the Bank's mission to achieve monetary stability by setting monetary policy to:

- **maintain price stability; and, subject to that,**
- **support HM Government's economic policies, including its objectives for growth and employment.**

3. Silvana Tenreyro's term on the MPC ended on 4 July 2023. Megan Greene's term on the MPC started on 5 July 2023. Sir Jon Cunliffe's term on the MPC ended on 31 October 2023. Sarah Breeden's term on the MPC started on 1 November 2023. Ben Broadbent will end his term on the MPC on 30 June 2024. Clare Lombardelli will start her term on the MPC on 1 July 2024.

At least once a year, HM Government updates its definition of price stability and the description of its economic policy in the MPC's remit. In November 2023, the Chancellor of the Exchequer reconfirmed the target as an inflation rate of '2 per cent as measured by the 12-month increase in the consumer prices index'. The economic policy objective of the HM Government is 'to achieve strong, sustainable and balanced growth'.[4]

The MPC has nine members. Five members are Bank of England staff: the Governor; three Deputy Governors; and the Chief Economist and Executive Director for Monetary Analysis. The Committee also includes four external members appointed by the Chancellor of the Exchequer. A non-voting representative from HM Treasury also sits with the Committee at its meetings.

The MPC meets at least eight times a year to set policy and the MPC's Minutes are published alongside the Committee's decisions after each meeting. The Bank's quarterly Monetary Policy Report includes the MPC's projections for inflation and output.

Members of the MPC are indemnified by the Bank against personal civil liability on the same terms as members of Court (see page 12).

4. **www.bankofengland.co.uk/letter/2023/november/mpc-remit-2023**.

Financial Policy Committee (FPC)

Members as at 11 June 2024[5]

Andrew Bailey
Governor,
Chair of the FPC

Nathanaël Benjamin
Executive Director,
Financial Stability
Strategy and Risk

Dame Colette Bowe
External member
Term: 1 September 2019
– 31 August 2025

Sarah Breeden
Deputy Governor,
Financial Stability

Ben Broadbent
Deputy Governor,
Monetary Policy

Jonathan Hall
External member
Term: 1 September 2020
– 31 August 2026

Randall Kroszner
External member
Term: 1 February 2023
– 31 January 2026

Liz Oakes
External member
Term: 3 June 2024
– 2 June 2027

Sir Dave Ramsden
Deputy Governor,
Markets, Banking,
Payments and Resolution

Nikhil Rathi
Chief Executive
of the FCA
Term: 1 October 2020
– 30 September 2025

Carolyn A Wilkins
External member
Term: 21 June 2021
– 20 June 2027

Sam Woods
Deputy Governor,
Prudential Regulation,
and Chief Executive
of the PRA

The Bank of England's FPC contributes to the Bank's mission to achieve financial stability by:

- **identifying, monitoring and taking action to reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system; and, subject to that,**
- **supporting the HM Government's economic policies, including its objectives for growth and employment.**

5. Sir Jon Cunliffe's term on the FPC ended on 31 October 2023. Nathanaël Benjamin's term on the FPC started on 4 December 2023. Elisabeth Stheeman's term on the FPC ended on 11 February 2024. Liz Oakes started her term on the FPC on 3 June 2024.

The FPC also advises Court on the Bank's Financial Stability Strategy.

At least once a year, HM Government must make recommendations about the FPC's responsibilities for financial stability and also about its growth and employment objectives. The FPC must respond formally to these and provide reasons if it proposes not to follow the recommendations.[6]

The FPC has 13 members. Six members are Bank of England staff: the Governor; four Deputy Governors; and the Executive Director for Financial Stability Strategy and Risk. The Committee also includes the Chief Executive of the Financial Conduct Authority (FCA), five external members appointed by the Chancellor of the Exchequer, and a non-voting representative from HM Treasury.

The FPC meets at least quarterly. It may give directions to the Prudential Regulation Authority (PRA) and the FCA in relation to macroprudential measures prescribed by secondary legislation under the Bank of England Act 1998. The FPC also has powers to make recommendations to any other body. It publishes a record of its formal policy meetings and is responsible for producing the (at least) twice yearly Financial Stability Report.

Members of the FPC are indemnified by the Bank against personal civil liability on the same terms as members of Court (see page 12).

6. The most recent remit and recommendations is at **www.bankofengland.co.uk/-/media/boe/files/letter/2023/november/fpc-remit-letter-2023.pdf**. And the FPC's response is at **www.bankofengland.co.uk/-/media/boe/files/letter/2023/december/2023-remit-response.pdf**.

Prudential Regulation Committee (PRC)

Members as at 11 June 2024[7] [8]

Andrew Bailey
Governor

Julia Black
External member
Term: 30 November 2018 – 29 November 2024

Sarah Breeden
Deputy Governor, Financial Stability

Ben Broadbent
Deputy Governor, Monetary Policy
Term: 1 March 2017 – 30 June 2024

Tanya Castell
External member
Term: 1 September 2021 – 31 August 2027

Antony Jenkins
External member
Term: 5 April 2021 – 4 April 2027

Jill May
External member
Term: 23 July 2018 – 22 July 2024

Marjorie Ngwenya
External member
Term: 5 September 2022 – 4 September 2025

Sir Dave Ramsden
Deputy Governor, Markets, Banking, Payments and Resolution

Nikhil Rathi
Chief Executive of the FCA
Term: 1 October 2020 – 30 September 2025

John Taylor
External member
Term: 14 January 2021 – 13 January 2027

Sam Woods
Deputy Governor, Prudential Regulation, and Chief Executive of the PRA

The PRC is the body within the Bank responsible for exercising the Bank's functions as the Prudential Regulation Authority (PRA) as set out in the Bank of England Act 1998 and the Financial Services and Markets Act 2000 (FSMA).

The PRC's terms of reference provide for 12 members. Five members are Bank of England staff: the Governor; and four Deputy Governors. The Committee also includes the Chief Executive of the Financial Conduct Authority (FCA), and at least six members appointed by the Chancellor of the Exchequer.

7. The Bank of England Act 1998 provides for one member to be appointed by the Governor with approval of the Chancellor. The Governor appointed Ben Broadbent.
8. Sir Jon Cunliffe's term on the PRC ended on 31 October 2023.

- The PRC is independent in all its decision-making functions, including making rules and the PRA's most important supervisory and policy decisions.
- The PRA functions are exercised by the Bank and are funded by PRA fees, with the PRC responsible for consulting on and setting the level of those fees.
- The PRC is required to report annually to the Chancellor of the Exchequer on the adequacy of resources allocated to the PRA functions and the extent to which the exercise of those functions is independent of the exercise of the Bank's other functions.[9]
- Members of the PRC are indemnified by the Bank against personal civil liability on the same terms as members of Court (see page 12).

The statutory objectives of the PRA, which underpin its forward-looking, judgement-based approach to supervision, are:

- a general objective to promote the safety and soundness of the firms it regulates; and
- specifically for insurers, to contribute to the securing of an appropriate degree of protection for those who are or may become insurance policyholders.

The PRA also has two secondary objectives to:

- so far as is reasonably possible, act in a way which facilitates effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and
- facilitate the UK economy's international competitiveness and its growth over the medium to long term, subject to alignment with international standards.

In December 2022, HM Treasury issued 'Recommendations for the Prudential Regulation Committee'.[10] This sets out aspects of HM Government's economic policy to which the PRC should have regard when considering how to advance its objectives, and when considering the application of the regulatory principles in FSMA.

FSMA also requires the PRA to review, if necessary revise, and publish annually its strategy in relation to how it will deliver its statutory objectives. The strategy is set by the PRC, in consultation with the Bank's Court of Directors. The PRA's strategy was published with the PRA Business Plan 2024/25 in April 2024.[11]

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9. Available on pages 14–18 in the PRA Annual Report 2023/24, **www.bankofengland.co.uk/prudential-regulation/publication/2024/july/pra-annual-report-2023-24**.
10. The recommendations are at **www.gov.uk/government/publications/recommendations-for-the-prudential-regulation-committee-december-2022**. And the PRC's response is at **www.bankofengland.co.uk/-/media/boe/files/letter/2024/prc-remit-letter-to-chancellor-jan-2024.pdf**.
11. **www.bankofengland.co.uk/prudential-regulation/publication/2024/april/pra-business-plan-2024-25**.

Financial Market Infrastructure Committee (FMIC)

Members as at 11 June 2024

Andrew Bailey
Governor

David Bailey
Executive Director,
Prudential Policy

Julia Black
External member
Term: 1 January 2024
– 31 December 2026

Sarah Breeden
Deputy Governor,
Financial Stability

Randall Kroszner
External Member
Term: 1 January 2024
– 31 December 2026

Sasha Mills
Executive Director,
Financial Market
Infrastructure

Martin Pluves
External Member
Term: 1 January 2024
– 31 December 2026

David Rule
PRA Senior Advisor

Victoria Saporta
Executive Director,
Markets

The FMIC is the body within the Bank responsible for exercising the Bank's functions in relation to FMIs and critical third parties as set out in the Bank of England Act 1998 and the Financial Services and Markets Act 2000 and 2023.

The FMIC's terms of reference state that the members of the FMIC are: the Governor; the Deputy Governor for Financial Stability, the Executive Director for Financial Market Infrastructure, three Bank members appointed by Court, and at least three independent members appointed by Court. The FMIC is chaired by the Governor or the Deputy Governor for Financial Stability.

Moreover, where possible, one independent member should also be an independent member of the FPC, and one independent member should also be an independent member of the PRC. Independent members will normally serve for a maximum of two three-year terms.

The Governor or Deputy Governor for Financial Stability, as Chair, may summon a meeting of the FMIC at any time by giving such notice as he or she thinks the circumstances require.

Decisions on FMI functions that the FMIC can exercise include but are not limited to: making rules; making technical standards; preparing and issuing codes; and determining general policy and principles in relation to FMI entities.

Our organisation as at 11 June 2024[12] [13]

The senior executive and their membership, where relevant, of the Bank's policy committees are indicated below.

Andrew Bailey
Governor,
(MPC, FPC, PRC, FMIC)

David Bailey
Executive Director, Prudential Policy
(FMIC)

James Bell
Executive Director, Communications

James Benford
Executive Director, Data and Analytics Transformation, and Chief Data Officer

Nathanaël Benjamin
Executive Director, Financial Stability Strategy and Risk
(FPC)

Sonya Branch
Executive Director, Legal and General Council

Sarah Breeden
Deputy Governor, Financial Stability
(MPC, FPC, PRC, FMIC)

Ben Broadbent
Deputy Governor, Monetary Policy
(MPC, FPC, PRC)

12. The following Executive Directors started their appointments in 2023/24: David Bailey (February 2024), James Benford (April 2023), Nathanaël Benjamin (December 2023), Charlotte Gerken (April 2024), Vivienne Grafton (October 2023), Jo Hill (October 2023), Rebecca Jackson (April 2024), Nathan Monk (November 2023), Victoria Saporta (February 2024), Ruth Smith (January 2024), James Talbot (November 2023) and Gareth Truran (May 2024).
13. The following held Executive Director posts during 2023/24: David Bailey (UK Deposit Takers Supervision, until February 2024), Melanie Beaman (Resolution, until June 2023), Nathanaël Benjamin (Authorisations, Regulatory Technology and International Supervision, until December 2023), Sir Jon Cunliffe (Deputy Governor, Financial Stability, until October 2023), Jonathan Curtiss (Shared Services, until July 2023), Charlotte Gerken (Insurance Supervision, until April 2024), Andrew Hauser (Markets, until February 2024), David Rule (Markets, interim, until February 2024), Sushil Saluja (Chief Information Officer, until June 2023), Victoria Saporta (Prudential Policy, until February 2024), Ruth Smith (Resolution, interim, until January 2024) and Laura Wallis (UK Deposit Takers Supervision, interim, until March 2024).

Stephen Brown
Executive Director,
Risk

Jane Cathrall
Executive Director,
People

Victoria Cleland
Executive Director,
Payments

Charlotte Gerken
Executive Director,
UK Deposit Takers
Supervision

Vivienne Grafton
Executive Director,
Central Operations

Rebecca Jackson
Executive Director,
Authorisations,
Regulatory Technology
and International
Supervision

Sarah John
Executive Director,
Banking and
Chief Cashier

Jo Hill
Executive Director,
Change and Planning

Afua Kyei
Executive Director,
Chief Financial
Officer

Duncan Mackinnon
Executive Director,
Supervisory Risk
Specialists

Sasha Mills
Executive Director,
Financial Market
Infrastructure (FMIC)

Nathan Monk
Executive Director,
Chief Information
Officer

Huw Pill
Executive Director,
Monetary Analysis
and Chief Economist
(MPC)

Sir Dave Ramsden
Deputy Governor,
Markets, Banking,
Payments and
Resolution (MPC,
FPC, PRC)

Victoria Saporta
Executive Director,
Markets (FMIC)

Ruth Smith
Executive Director,
Resolution

Ben Stimson
Chief Operating
Officer

James Talbot
Executive Director,
International

Gareth Truran
Executive Director,
Insurance
Supervision

Sam Woods
Deputy Governor,
Prudential Regulation
and Chief Executive of
the PRA (FPC, PRC)

Review of 2023–24

Our timeless mission, as set out in our original Charter in 1694, is to 'promote the good of the people of the United Kingdom'. The way in which we have discharged this mission has evolved over time in step with the changing world around us.

Our strategic priorities (see Figure A overleaf) describe how we need to change to continue to achieve our timeless outcomes: stable prices; a resilient financial system; secure and reliable payments, banking services, and banknotes; and safe, sound and resolvable firms.

In this Review we first summarise how we have worked together to make full use of the knowledge, resources and skills from across the organisation in support of our mission and timeless outcomes. The Review then ends by detailing the progress we have made in delivering our strategic priorities.

Stable prices

We carry out our mission to maintain monetary stability by working to keep inflation low and stable in the UK. HM Government has set us a target of keeping annual inflation at 2%.

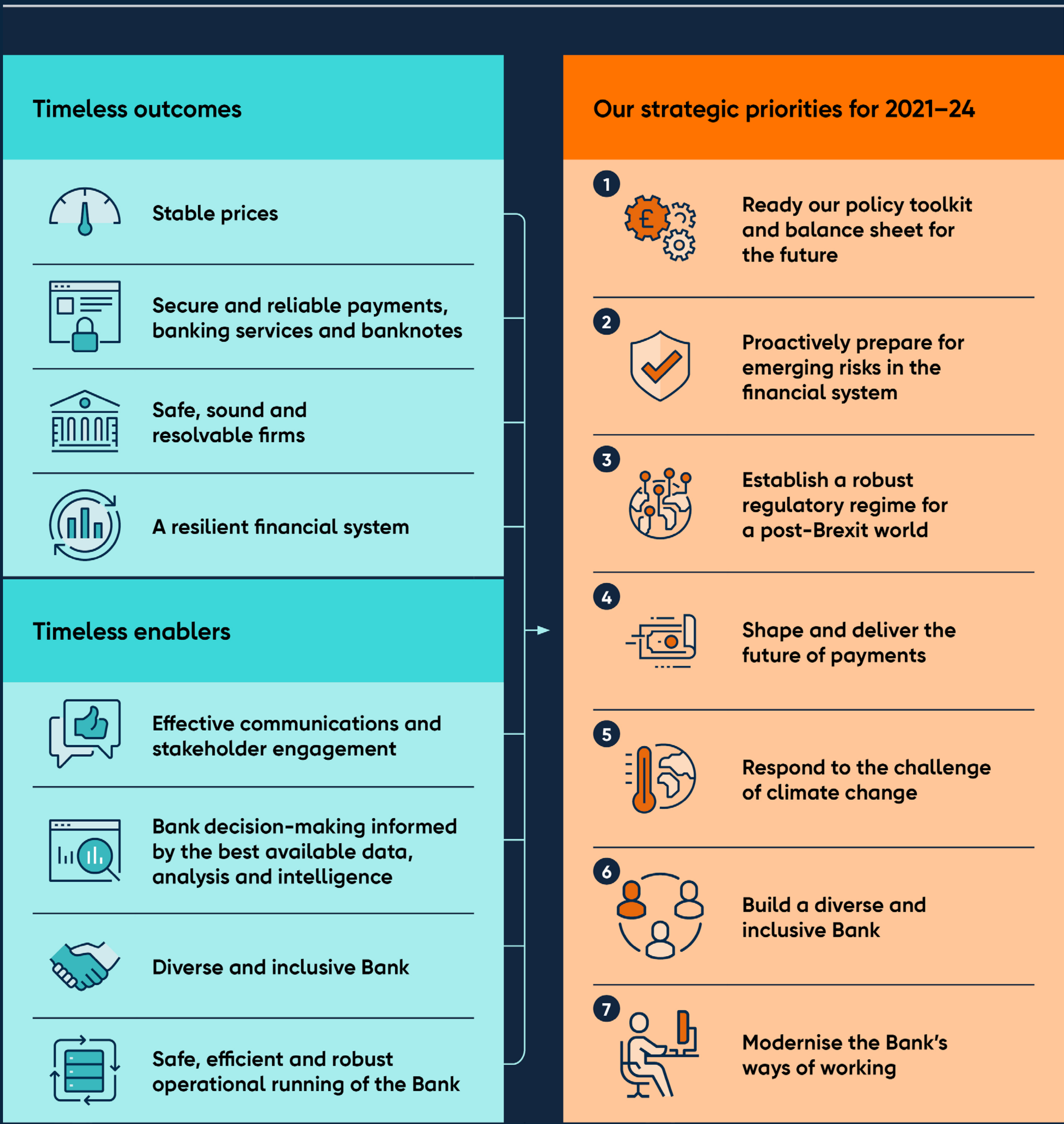
The Monetary Policy Committee (MPC) is responsible for our work in this area. It meets eight times a year to decide what interest rate is needed to return inflation to, or keep it at, the 2% target over time.

Over the past year inflation has fallen steadily and we are expecting it to continue to fall over the coming months. That is good news. The global factors that have pushed up prices are fading. And the decisions the MPC has taken to increase interest rates are helping to bring inflation down.

Even though inflation has fallen a long way, the MPC need to be sure that it will fall back to our 2% target and stays there sustainably. That means it needs to see more evidence that inflation will fall further and stay low before it is able to lower interest rates.

High inflation affects everyone, but it particularly hurts those who can least afford it. Getting inflation down and keeping it there is the best thing the MPC can do for households and businesses up and down the country.

Figure A: Bank of England strategic priorities: 2021–24



Colleagues from across the organisation have worked together to provide economic and financial analysis to support the MPC's decision-making this year. This analysis and the rationale for the MPC's decisions are set out more fully in the published minutes of the Committee's policy meetings and its Monetary Policy Reports.

It is important that we earn and maintain the legitimacy to perform the functions given to us by Parliament by being open, accountable and transparent. During the year, the MPC has presented evidence at nine Parliamentary hearings, including those of the Treasury

Committee and Economic Affairs Committee, and MPC members have given around 150 interviews and speeches.

In July 2023 Court announced that Dr Ben Bernanke would lead an independent review into the Bank's forecasting and related processes during times of significant uncertainty. That review, published in April 2024, provides a thorough assessment of the Bank's current forecasting approach, and the relationship between the forecast, monetary policy decisions, and their communication.

Two broad themes underpinned many of the review's assessments and recommendations. First was that substantial investment is needed, beyond that already underway, to develop key parts of the data, modelling, forecasting and evaluation infrastructure and the expert staff to support them. Second was that, within an overall approach that assigns more prominence to risks and welcomes challenge to underlying assumptions, the role of the central projection and the MPC's discussions surrounding it should be reconsidered.

We have committed to act on all of the review's recommendations and will provide an update on proposed changes by the end of 2024.

A resilient financial system

The financial system is a vital part of our economy. It enables households and businesses to make payments, borrow, save and invest, and insure against risks.

Our objective is to maintain financial stability in the UK, and the Financial Policy Committee (FPC) leads our work in this area. Its role is to identify, monitor and take action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system.

Conditions in the financial system remain challenging, reflecting uncertainty about the outlook for growth and inflation, and the impact of higher interest rates and increased geopolitical tensions. Many households and businesses continue to be under strain as they face higher borrowing costs. But inflation is slowing, incomes are now rising, and new mortgage and lending rates have fallen.

Banking system

The UK banking system has large capital buffers and other resources to absorb any potential losses, or outflows of cash. Because of these resources, UK banks are in a strong position to support households and businesses even if the economy turns out to be significantly weaker than expected. Each year the Bank stress tests the UK's largest banks to see if they are prepared for an economic crisis. The test we carried out in 2023 showed that the UK's banking sector is resilient to an economic downturn that is more severe than the 2007–08 global financial crisis.

The FPC sets the UK countercyclical capital buffer (CCyB) rate each quarter. The CCyB provides banks with an additional 'rainy day' buffer to absorb potential future losses without restricting lending to those that are able to repay. The CCyB is based on the FPC's assessment of economic and financial conditions, and risks. In its most recent assessment, the FPC decided to maintain the UK CCyB at its neutral setting of 2%.

Non-bank finance

Non-bank finance, also known as market-based finance, is an increasingly important source of funding for UK firms. It has many benefits, such as allowing businesses to diversify their sources of finance. But it also carries some risks. Vulnerabilities within market-based finance mean that shocks can be amplified, which could increase the cost and reduce the availability of loans to UK businesses and households.

The system of market-based finance is complex, with interconnections across the globe. So, the Bank is working with other UK authorities and those overseas to reduce risks and build resilience. We have also launched a system-wide exploratory scenario exercise (SWES) to help us better understand how banks and non-banks might act during very severe shocks in financial markets, and how their responses might interact to make things worse.

We expect to publish a report on the SWES results in late 2024 once the exercise has concluded. In the meantime, we will share interim results through our usual FPC communications such as our Financial Stability Reports.

Colleagues have worked together on a number of analytical issues to support the FPC's decision-making this year. Key areas include vulnerabilities in commercial real estate markets, highly leveraged corporates, liability-driven investment funds, operational resilience, and trends in bank funding and liquidity.

The work of the FPC is set out more fully in the twice-yearly Financial Stability Report and in the records of the FPC's quarterly policy meetings. During the year, the FPC has presented evidence at seven Parliamentary hearings, including those of the Treasury Committee, and FPC members have given around 50 interviews and speeches.

Secure and reliable payments, banking services and banknotes

Payments

Payment systems are essential to our economy. They are used to buy goods and services, receive salaries and benefits, and withdraw money from cash machines.

The Bank plays a major role in supporting payments in the UK through our Real-Time Gross Settlement (RTGS) service. RTGS lies at the heart of every retail and wholesale payment in the UK, including those made using Visa, MasterCard and the Faster Payments system. RTGS also supports our high-value CHAPS system that people typically use when buying and selling property.

In 2023/24 RTGS settled, on average, over £700 billion of payments every working day. A significant outage of this service could have a large impact on the UK economy. So, we have a target that it should be available at least 99.95% of the time. In 2023/24, RTGS was available 99.76% of the time, meaning that unfortunately we did not meet this target. This was due to three separate outages in the year. On each occasion settlement was restored intraday and all payments were settled on their due day.

The work we have done this year to shape and deliver the future of payments is covered on page 38.

Banking services

To support the Bank's mission we provide safe, confidential and reliable banking and custodial services to HM Government, certain financial firms and over 130 central banks around the world.

For HM Government we provide payment services, securities custody and settlement services plus access to foreign currency accounts. We also act as HM Treasury's agent in the day-to-day management of the Exchange Equalisation Account, which holds the UK's reserves of gold, foreign currency, and other assets.

For central banks we provide banking services to support reserves management activities and support the tools of global financial stability. We also provide banking services for certain financial sector firms, where there are clear financial stability reasons to do so. One type of firm we provide banking services to is central counterparties (CCPs). CCPs provide an important link in the financial system by acting as an intermediary between buyers and sellers in a trade.

Banknotes

Maintaining public confidence in the currency is core to the Bank's mission. We need to make sure the banknotes we produce are high quality, long lasting and difficult to counterfeit.

In February 2024 we announced that banknotes carrying a portrait of King Charles III would enter circulation from June 2024. The portrait of the King now appears on existing designs of all four banknotes (£5, £10, £20 and £50), with no other changes to the existing designs.

Polymer banknotes that feature the portrait of Her Late Majesty Queen Elizabeth II will remain legal tender and will co-circulate alongside King Charles III notes. The new banknotes will only be printed to replace those that are unfit for use, and to meet any overall increase in demand for banknotes. Our approach is in line with guidance from the Royal Household, to minimise the environmental and financial impact of the change.

Safe, sound and resolvable firms

The Prudential Regulation Authority (PRA) is responsible for the prudential regulation and supervision of around 1,330 banks, building societies, credit unions, insurers and major investment firms.

The PRA has two primary objectives: a general objective to promote the safety and soundness of the firms it regulates; and an objective specific to insurance firms, to contribute to ensuring that policyholders are appropriately protected. The PRA also has two secondary objectives: to facilitate effective competition in the markets for services provided by firms; and to facilitate the UK economy's international competitiveness and its growth over the medium to long term, subject to alignment with international standards. The secondary objective focused on international competitiveness and growth was introduced as part of the Financial Markets and Services Act 2023 (FSMA 2023).

The PRA advances these objectives through regulation and supervision. Through regulation, it develops standards and policies that set out what is required and expected of firms. Through supervision, it monitors and assesses whether firms are meeting requirements and expectations. Where they do not, the PRA can take action – supervisory or enforcement – to reduce the risks that might arise. The approach to regulation and supervision is forward-looking, judgement-based, and focused on the issues and firms that pose the greatest risk to the stability of the UK financial system and to policyholders.

A key milestone in the PRA's advancement of its objectives was the publication of a consultation paper setting out the PRA's approach to policymaking as it takes on expanded rule-making powers introduced through FSMA 2023 within a framework set by Parliament.

This includes the PRA's approach to delivering its new competitiveness and growth objective. In addition, in line with requirements under FSMA 2023, the PRA published a policy statement on the establishment of a Cost Benefit Analysis Panel. These measures will enable the PRA to deliver policies that are better suited to the UK's financial sector.

This year, the PRA has also published: the first of two near-final policy statements covering the implementation of the Basel 3.1 standards for market risk, credit valuation adjustment risk, counterparty credit risk and operational risk; policy statements on the review of Solvency II; remuneration reforms; the scope and eligibility criteria for the Strong and Simple framework for banks and building societies; and on enhancing proportionality for small firms.

More detail on these and other activities are provided in the PRA's Annual Report, which is published alongside this Report. During the year, the Prudential Regulation Committee has presented evidence at four Parliamentary hearings, including those of the Treasury Committee.

Financial Market Infrastructures (FMIs)

The FMIs we supervise – payments systems, central securities depositories (CSDs) and CCPs – are critical to the smooth operation of the UK financial system. We use them when we make payments to and from our bank accounts or buy goods and services, and they also help financial market participants to manage risk.

The FSMA 2023 introduced a number of new obligations and accountabilities for the Bank in its role as the UK's regulator for CSDs and CCPs. In line with the additional responsibilities and to ensure that the Bank can exercise these new powers in a transparent and accountable manner, FSMA 2023 introduced a new statutory Financial Market Infrastructure Committee with effect from 1 January 2024 (see pages 24–25).

In November 2023, we published the results of our second CCPs stress test. Like the previous exercise, it explored the credit and liquidity resilience of the three UK CCPs, and their interconnectedness with the rest of the financial system. Overall, the results found UK CCPs were resilient to a severe market stress scenario combined with the simultaneous default of the two clearing member groups whose default create the largest losses or worst liquidity balances.

More detail on these and other activities are provided in our Supervision of Financial Market Infrastructures Annual Report, published in December 2023.

Strategic priorities

Ready our policy toolkit and balance sheet for the future

The Bank's balance sheet has become much larger and more complex over time as we have developed new policy tools to achieve our mission. Those tools include quantitative easing, and funding schemes such as that for small and medium-sized companies (the TFSME).

However, over recent times we have seen a fall in the size of our balance sheet. That reflects the MPC's decision to begin quantitative tightening in 2022, and the maturing of TFSME loans. We expect this trend to continue. Over time, reserves balances, and thus the size of our balance sheet, will fall toward a minimum level that reflects the overall level of reserves demand from the banking sector. As this happens, we expect increased borrowing of reserves across our liquidity facilities.

Nevertheless, in order to achieve our mission, we will need to supply a materially higher level of reserves than we did prior to the global financial crisis that began in 2007. However, the precise level is uncertain. We are continuing to explore the optimal level of reserve supply and the composition of assets to back it.

New forms of digital money may also have implications for our balance sheet. For instance, were we to develop a digital pound, we would need to examine the arrangements for its safe and effective provision, and its interaction with our monetary policy toolkit and asset portfolio.

The growing role of non-bank financial institutions (NBFIs) in our financial system means that we also need to adapt our policy toolkit and balance sheet to continue to deliver against our monetary and financial stability objectives. In September 2023, we set out plans to develop a new backstop NBFI lending tool to address liquidity-related dysfunction in gilt markets which threatens UK financial stability.

We are working with market participants to deliver the first phase of this tool. This will lend against UK gilts at times of severe market dysfunction to insurance companies and pension funds. In parallel, we are also exploring how to widen access beyond insurance companies and pension funds. This will mean we can maximise policy efficacy in a way that does not remove incentives for NBFIs to improve their own resilience.

Proactively prepare for risks in the financial system

We need to have the toolkit, frameworks and capabilities to ensure we can proactively prepare for, and respond effectively to, risks to the financial system.

Operational resilience

It is crucial that the UK financial system is resilient to any disruptions to its operations. That means making sure that the firms we regulate can absorb and adapt to shocks, rather than contribute to them. Our operational resilience policy took effect in March 2022. Firms must ensure they can remain within impact tolerances by 31 March 2025. We are continuing to engage with firms to review their work and to assess where further work is required.

Rising cyber-threats and increased third-party outsourcing have increased the need for visibility of emerging risks. We use cyber stress test tools to explore firms' response and recovery capabilities and the potential financial stability impact of a hypothetical severe but plausible scenario for operational resilience disruption. The thematic findings and firm-identified remediation actions are used to build operational resilience at firm and sector level.

We have also increased our focus on third-party suppliers to the financial sector. Firms and financial market infrastructures (FMIs) increasingly rely on a small number of cloud service providers and third parties to support their operations. This concentration could create risks to financial stability. For this reason, the FPC determined in 2021 that additional policy measures, some requiring legislative change, were likely to be needed to mitigate the financial stability risks stemming from concentration in the provision of some third-party services.

The FSMA 2023 gives HM Treasury the ability to designate certain third parties as critical, following consultation with the supervisory authorities. The Act also gives the supervisory authorities new powers to oversee critical third parties (CTPs). In December 2023, the Bank, the PRA and FCA published a joint consultation paper proposing how these powers could be used to assess and strengthen the resilience of services provided by CTPs to firms and FMIs, thereby reducing the risk of systemic disruption.

Resolution

Resolution aims to ensure banks and other financial institutions can be allowed to fail in an orderly way. Just like when any other business fails, losses arising from bank failure would be borne in resolution by shareholders and unsecured creditors. This protects public funds from loss, protects ordinary depositors, and incentivises banks to operate more prudently.

In March 2023, the Bank executed the orderly resolution of Silicon Valley Bank UK, following the failure of its US parent, effecting the transfer of its shares to HSBC for a nominal consideration. This demonstrated the importance of authorities and regulated firms remaining well prepared for resolution. HM Treasury consulted earlier this year on targeted additions to the existing resolution regime to give the Bank of England more options for managing the failure of small banks which the Bank supports. We have also worked closely with other UK authorities to take steps to support the timely payout of Financial Services Compensation Scheme-eligible depositors' covered balances in the event of a bank or building society insolvency.

We continued to monitor major UK banks' preparedness for resolution and will publish the results of our second resolvability assessment in August 2024. We continue to work very closely with our international counterparts to maintain our collective practical readiness to execute a resolution bail-in of a major cross-border banking group, if the need to do so were to arise.

In December 2023 we published an updated version of our overall approach to bank resolution. This describes the overall framework available to us to resolve failing banks, building societies and some investment firms, and the approach we take to resolvability assessment and resolution planning.

An enhanced UK CCP resolution regime came into effect in December 2023, making the UK regime fully consistent with international Financial Stability Board (FSB) standards. We continue to engage with our international counterparts, including at and through FSB, to promote the robust development and implementation of CCP resolution standards.

Establish a robust, safe and open future regulatory regime

Solvency II

The PRA has continued to work closely with HM Treasury on the review of our main arm of insurance regulation, Solvency II, which will result in a new Solvency UK regime. Over the course of the year, the PRA has proposed a significant number of reforms to Solvency II that aim to: simplify capital calculations and increase flexibility of use of internal models of capital requirements; facilitate broader and quicker investment by insurers, while improving responsiveness to risk and enhancing firms' responsibility for risk management; and improve the efficiency of reporting for firms and the relevance of reported data in advancing the PRA's objectives.

Basel 3.1

The PRA has also continued to work on the set of international standards on banks' capital and liquidity requirements under the so-called Basel 3.1 international regulatory accord. In September 2023, the PRA announced its intention to move the implementation date of the final Basel 3.1 policies to 1 July 2025, with a reduced transitional period so that full implementation would still be achieved on 1 January 2030.

In December 2023, the PRA published its first near-final policy statement on the implementation of the Basel 3.1 standards, covering policies and rules on market risk, credit valuation adjustment risk, counterparty credit risk and operational risk. The PRA intends to publish the second near-final policy statement in 2024 Q2, covering the remaining policies and rules including those on credit risk, and reporting and disclosure requirements.

Strong and simple

This year, the PRA has further developed its Strong and Simple framework. The framework is a simpler but equally resilient prudential framework for Small Domestic Deposit Takers. The PRA has been developing its proposals for a simpler capital regime for these firms, but one that would maintain their resilience. In developing its proposals, the PRA has been considering potential simplifications to different elements of the capital regime, including minimum requirements and buffers.

Shape and deliver the future of payments

To meet our monetary policy and financial stability objectives we need continually to innovate our payments infrastructure and regulatory framework so that they are resilient and relevant in light of changing technology, financial system developments and public needs. We have made real progress this year in ensuring that we support innovation and shape and deliver the future of payments in the UK.

Payments

Central bank reserves are the most liquid and widely accepted settlement asset in the UK economy. We make this asset available via our Real-Time Gross Settlement (RTGS) service that provides reserves accounts to eligible banks and building societies.

Our vision is for RTGS to act as an open platform for change and innovation, thus supporting our monetary and financial policy objectives. To achieve this, we are making enhancements to the RTGS service to catalyse industry innovation in a number of key areas.

We have already made significant headway in renewing our RTGS service. The first phase of the renewal programme, which focused on implementing the ISO 20022 global messaging standard, was completed in June 2023. In the second stage we will transition to a new core settlement engine. The renewed service will provide benefits for the industry across four key areas: increased resilience; greater access; wider interoperability; and improved user functionality.

Looking ahead, we are now exploring how wider access to the RTGS platform, longer operating hours, and better resilience can help foster innovation.

Digital currency

The world we live in is becoming more and more digital. To keep up with changing times, we and HM Treasury are looking at the idea of a digital pound. This would be an electronic version of the banknotes issued by us and would be accessed by digital wallets provided by private sector payment providers. It is important to stress that if a digital pound was introduced, it would not replace cash. We know being able to use cash is important for many people. That's why we will continue to issue it for as long as people want to keep using it.

In February 2023, we and HM Treasury published a consultation paper on 'The digital pound: a new form of money for households and businesses?'. This set out the public policy case for the digital pound in the UK and our proposed design for it. The model we propose for the digital pound would enable private companies to innovate, make payments more efficient, and give consumers more choice. In January 2024, we published a summary of the responses we received from households and businesses to the consultation paper. We also updated our proposals to include primary legislation to guarantee users' privacy and control, and to confirm that neither us nor HM Government would have access to users' personal data.

No decision on whether a digital pound will be introduced has been made, and HM Government has committed to introducing primary legislation to parliament before a digital pound could be launched. Work is ongoing to develop further the necessary technology and policy requirements, in order to make a robust and objective assessment of potential benefits and costs. That work will include experiments with innovative private sector firms to test how a digital pound could work, which will believe will be of wider benefit even if it is decided not to introduce one.

Stablecoins

There has been rapid innovation by the private sector in money and payments over recent times, giving households and businesses more choice over how they make and receive payments. One such form of payment is a so-called stablecoin. Stablecoins are backed by a specified asset or basket of assets which they seek to use to maintain a stable value.

It is important that companies which issue stablecoins for payments do so in a safe way. Consequently, in November 2023 we set out, with other UK financial regulators, a set of proposed rules on how we would regulate any stablecoins widely used for payments in the UK.

The proposed rules aim to make sure such stablecoins always maintain a stable value, so people who hold them can get their money back. We also want to make sure people can pay using stablecoins without disruption, and stablecoin wallets are safe to use.

Respond to the challenge of climate change

The physical effects of climate change and the transition to a net-zero economy are relevant to the Bank's mission to promote the good of the people of the UK by maintaining monetary and financial stability. They can create financial risks and economic consequences, which affect: the safety and soundness of the firms we regulate; the stability of the financial system; the economic outlook in a way that could have a bearing on the appropriate monetary policy stance; and the financial resources available to deliver the Bank's policy and operational commitments.

In response, the goal of the Bank's policy work on climate change and the transition to net zero is to play a leading role in enhancing the resilience of the UK financial system and in understanding the impacts on the macroeconomy. We ensure our strategy focuses allocated resources on those areas that have the most material impact on our statutory objectives.

A milestone this year was the publication of our first Climate Transition Plan in July 2023, which set out our approach to deliver the Bank's net-zero target for physical operations.[14] Alongside this, we advanced our understanding of the possible monetary policy implications of climate change, publishing our key findings in the February 2024 Monetary Policy Report. We also continued to actively engage firms on their management of climate-related financial risks.

Our annual climate disclosure, which is published alongside this Report, provides more information on our approach to managing climate risks across our policy functions and internal operations.

Looking ahead, our agenda will continue to focus on those aspects of this topic that are core to our objectives and remits. This includes work to update our supervisory expectations to consolidate previous Bank feedback, reflect the latest regulatory thinking and analysis, and align with relevant international standards. We will also continue to advance our thinking on the impacts of climate change and the transition on financial stability, the macroeconomy and monetary policy.

Build a diverse and inclusive Bank

A truly diverse, equitable and inclusive culture is vital to delivering our mission. Enabling all colleagues, regardless of their personal backgrounds and characteristics, to fulfil their potential will make us more effective as an organisation.

14. www.bankofengland.co.uk/climate-change/the-bank-of-englands-climate-transition-plan.

Our vision is to build a workforce that reflects the society we serve, so we can build and maintain trust and support effective decision-making. We aim to make the experience of all colleagues positive, and to give equal opportunity to all to contribute, develop and thrive.

The work we have done this year to build a more diverse and inclusive organisation is covered in the Our people section on pages 70–82.

Modernise the Bank's ways of working

To meet our mission in a changing world, we need to continuously improve our ability to make the best use of data, analytics and technology. We have launched the Technology Modernisation programme to strengthen the foundations of the Bank, remediate obsolescence risk and enable more flexibility for our current ways of working. From email to document management, we will look to minimise inefficiencies and improve the ability to work in a hybrid environment.

We welcomed the Independent Evaluation Office's (IEO) assessment of our use of data to support our policy objectives, which was published in October 2023. This report highlighted that, while real progress has been made, we need to do more in the coming years to meet our ambition. In our response to the IEO report, we set out a refreshed Data & Analytics (D&A) strategy that describes how we intend to achieve our vision and the necessary change involved.

Good progress has already been made in implementing the D&A strategy. We have established a D&A Board, which agrees the strategy and ensures we have the people, processes, and tools in place to achieve our strategic goals. And we have rolled out new Bank-wide D&A policies that make it easier, quicker, and safer for our colleagues to work with data.

We have designed a target technology architecture to enable a wide range of modernisation outcomes for the Bank. Aligned to this, we have piloted migration of some of our current D&A services to the Cloud. This has increased capacity, enabling more users and projects to use the service. It has helped us to prepare for, and accelerate, the building of more Bank-wide capabilities on the Cloud, and it has paved the way for work to explore how artificial intelligence (AI) could contribute to our work in the future.

Adoption of the Cloud is also key to modernising other services and applications across the Bank. We have now formalised a cloud strategy, which will allow us to make strategic choices about how and when we modernise further aspects of our estate, including data and beyond.

Alongside this annual report we have published our D&A strategy and roadmap. This lays out our three-year plan from 2024/25.

Public Sector Equality Duty

The Public Sector Equality Duty (PSED) applies to public authorities and others who may be exercising public functions. Under this duty, public authorities are required to: have due regard to the need to eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010; advance equality of opportunity between people who share a protected characteristic and those who do not; and foster good relations between people who share a protected characteristic and those who do not. We recognise that in the exercise of our public functions we must have due regard to the PSED. Examples of how we take into consideration our PSED obligations are set out below.

Financial Policy Committee (FPC)

By striving to make financial crises both rarer and less severe, the FPC's actions are intended to reduce the probability and impact of financial crises in which the costs can fall disproportionately on lower income and vulnerable households (households in which individuals sharing particular protected characteristics, including those of race and sex, can be disproportionately represented). Further, while focused on improving the resilience of the UK financial system, the FPC's policies are explicitly designed to limit any significant adverse effects on growth of the UK economy. In so doing the FPC supports the provision of sustainable access to finance for households (including lower income and vulnerable households). The FPC continues to have due regard to the PSED when exercising its public functions.[15]

Monetary Policy Committee (MPC)

The MPC is tasked with setting monetary policy and meeting HM Government's target of keeping inflation at 2%. The distributional impact of monetary policy is difficult to measure with precision but analysis by staff suggests that the overall effect of monetary policy, including quantitative easing, on standard measures of income and wealth inequality (which have the potential to reflect the position of individuals sharing particular protected characteristics under equality legislation) has been small.

Wholesale cash distribution

An increasing number of individuals and businesses are benefiting from the convenience, security, and speed of digital payments. Conversely, the transactional use of cash has declined, a trend that has been exacerbated by the Covid pandemic. In spite of that, cash remains a valued form of money for many in society, including the elderly and those on lower

15. Section 150(4) and Schedule 19 of the Equality Act 2010 states that the Bank is subject to the public sector equality duty in relation to the exercise of its public functions.

incomes (households in which individuals with certain protected characteristics, including those of race and sex, can be disproportionately represented), with many using it to budget and manage their household finances. As such, a lack of access to cash can highly impact certain groups who share protected characteristics, including age and disability.

HM Government has given us powers to oversee and supervise the wholesale distribution of cash. The new powers were included in the FSMA 2023. A statement on how we will use our new wholesale cash distribution powers was set out in a statement of policy published in August 2023.

Equality objectives

Our objectives in relation to our public sector equality duty referred to above, include representation targets that help ensure that we are on the right path, with momentum, towards attracting and retaining a gender and ethnically diverse workforce at all levels and being a minority ethnic employer of choice. We see these targets as contributing to our mission and functions by enabling the development of appropriate policies and practices within the organisation that will encourage decision-making that better reflects the society we serve.

Our latest representation targets and an update on our progress towards these can be found in the Our people section (see pages 70–82).

Top and bottom: Bank of England Citizens’ Forum in Leeds.
Middle: Bank of England Citizens’ Forum in Bristol.

Top: Youth Panel in Leeds.
Middle: Bank of England Citizens’ Forum in Nottingham.
Bottom: School visit in Newport. Photographer: Rhys Webber.

Financial review of 2023–24

Financial statements highlights

The Bank operates as ‘One Bank’, a single unified institution, and the financial review is presented in a way that is consistent with this operating principle.

In accordance with the terms of the 1844 Bank Charter Act, the Bank was divided for accounting purposes into the Issue Department, covering banknote issuance activity, and the Banking Department, which encompasses all other activities.

Under the Bank of England and Financial Services Act 2016 separate PRA disclosures are presented in the Annual Report on pages 215–22, these reflect the operations of the Bank acting as the PRA, and are a subset of the Banking Department.

Under the Bank of England Act 1998, the financial statements are prepared on a non-consolidated basis. The ‘combined’ income statement and balance sheet data in this section represent the aggregation of the Banking Department and Issue Department, and are presented for information purposes only.

Court considers the operation of the Bank’s financial framework in fulfilling its responsibilities under the Bank of England Act 1998. The key elements of the financial framework of the Bank are detailed below. For the Banking Department, the Bank compiles its medium-term spending plans within a financial framework which has four main tenets.

First, that under the Bank of England Act 1998 the policy functions of the Bank (defined as activities undertaken in pursuance of the Bank’s monetary policy and financial stability objectives) are financed by the Bank of England Levy following transition on 1 March 2024 from the previous funding mechanism, the Cash Ratio Deposits (CRD) scheme.

Second, that the remunerated activities of the Bank – banking services, services to HM Treasury and lending operations for the Bank’s own account – will be expected to break even over the medium term, although the Bank remains committed to providing value for money, and so manages its cost base in this context. Any gains or losses from these activities will not flow back to CRD payers, but instead be recognised in the Bank’s capital.

Third, the Bank acting as the PRA, operating under the Financial Services and Markets Act 2000, may levy regulated firms to recover all costs incurred in the performance of the

PRA's functions under the Act. From August 2018, the Bank introduced a levy to cover its Financial Market Infrastructure (FMI) supervisory costs in response to an Independent Evaluation Office recommendation. This applies to all FMIs which are supervised by the Bank under the Banking Act 2009 or the Financial Services and Markets Act 2000.

Fourth, on the basis that spending on policy and supervisory functions is fully recovered and other functions break even, the profit of the Bank should be broadly equivalent to the return on the assets in which its capital and reserves are invested – largely gilts.

Cash Ratio Deposit scheme

Under the CRD regime, banks and building societies were required to place an interest-free deposit at the Bank which is a ratio of their eligible liabilities. The Bank then invested those deposits in interest-yielding assets, generating income to fund its policy functions.

The CRD scheme was reviewed at least every five years and was most recently updated in 2018.[16] It was intended to result in policy income and expenditure breaking even over the five-year cycle. Despite recent increases in gilt yields, income on CRD investments continues to fall short of policy expenditure.

The CRD ratio[17] was 0.382% as at 29 February 2024 (2023: 0.403%). The CRD ratio was reindexed to prevailing gilt yields every six months. This variable ratio made it more responsive to changes in gilt yields and better able to deliver the income required to fund the Bank's monetary policy and financial stability costs.

CRD income was again unable to recover fully the Bank's policy expenditure, leading to a further shortfall in 2024 of £111mn (2023: £75mn).

During 2021, the Bank established, together with HM Treasury, a Joint Steering Group to review the funding arrangements and consider alternative options to fund the Bank's policy expenditure with the intention of mitigating future shortfalls.

A consultation paper was published by HM Treasury in September 2021, which consulted on potential alternative funding options. The outcome of this consultation was to move forward with the introduction of a Levy to fully cover the costs of the Bank's monetary policy and financial stability functions. Legislation to implement this new Levy, the Bank of England Levy,

16. See **www.legislation.gov.uk/uksi/2018/633/pdfs/uksi_20180633_en.pdf** for the 2018 CRD legislation.
17. For more information on the CRD ratio, please see **www.bankofengland.co.uk/statistics/notice/2022/statistical-notice-2022-21**.

was introduced by the Financial Services and Markets Act 2023, which received Royal Assent in June 2023.

HM Treasury consulted in November and December 2023 on the secondary legislation to introduce the Levy.[18] At the same time, the Bank consulted on the Bank of England Levy Framework Document, which explained how the Levy will be charged and how it will operate. Through these consultations, Levy payers and the public were provided with an opportunity to understand how the Levy will operate and make their views known on the proposals prior to the commencement of the Levy.

The Bank issued a policy statement in January 2024, which outlined the responses received, and stated that, subject to Parliamentary approval, the Bank would progress with commencing the Bank of England Levy. The policy statement also clarified that the return of CRDs to institutions will create a transitional cost to the Bank as it remunerates the reserves created, with the income available from the gilt portfolio then being used to reduce the ultimate charge to firms.

The secondary legislation completed the Parliamentary process in February 2024. On 1 March 2024, the Levy replaced the CRD scheme as a means of funding the costs of the Bank's monetary policy and financial stability operations.

Capital

	2024 (£mn)	2023 (£mn)
Total capital	5,408	5,424
Deductions (net of deferred tax):		
Intangible assets	(240)	(230)
Pension and property reserves	(704)	(679)
Illiquid investments	(1,145)	(1,121)
Loss-absorbing capital	**3,319**	**3,394**

18. www.gov.uk/government/consultations/review-of-the-cash-ratio-deposit-scheme-consultation.

The capital framework, introduced in June 2018 following agreement between HM Treasury and the Bank, states that the proportion of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital (LAC) held by the Bank and where this sits within a set of parameters.[19]

LAC is the Bank's total capital less any capital components that cannot absorb losses, which include: intangible assets (net of deferred tax); net pension scheme assets and property revaluation reserves (net of deferred tax); and illiquid investments (net of deferred tax).

The Bank's LAC decreased to £3,319mn (2023: £3,394mn). The decrease in LAC is attributable to a marginal reduction in total capital together with an increase in the deduction in respect of pension reserves and intangible assets. The increase in the value of the pension reserve assets was primarily driven by interest on the Fund's assets and contributions paid by the Bank into the Fund. This was partially offset by a reduction in the capital value of the existing assets driven by an increase in index linked gilt yields over the year.

Overall the Fund is in a net surplus position as liabilities are lower than the assets.

As such, and in line with the capital framework codified in the Memorandum of Understanding on the Financial Relationship between HM Treasury and the Bank, no payment in lieu of dividend to HM Treasury will be made.

Financial statement highlights

The table overleaf presents highlights of the combined 2024 financial statements. Further explanation and commentary are provided below.

19. See Section 2.B of the agreed financial relationship between HM Treasury and the Bank of England: Memorandum of Understanding for detail of the parameters; **www.bankofengland.co.uk/letter/2018/banks-financial-framework-june-2018**.

Financial statement highlights

	2024 (£mn)	2023 (£mn)	Movement (£mn)
Balance sheet			
Combined balance sheet[(a)]	944,791	1,075,582	(130,791)
Cash Ratio Deposits (CRDs)[(b)]	12,290	13,417	(1,127)
Notes in circulation	87,018	85,907	1,111
Loss-absorbing capital[(c)]	3,319	3,394	(75)
Funded pension scheme net assets	771	719	52
Combined loans and advances	911,388	1,043,097	(131,709)
On balance sheet: TFSME	151,324	180,502	(29,178)
Income statement			
Combined income	809	804	5
of which:			
Income from PRA regulatory activity	315	326	(11)
Management fees	89	83	6
Trading income	188	171	17
of which:			
CRD income	135	157	(22)
Combined expenditure[(d)]	777	758	19
Combined profit before tax	32	46	(14)
Combined profit after tax	33	39	(6)
Payment to HM Treasury in lieu of dividend	–	–	–
Other items of note			
Net seigniorage income paid to the National Loans Fund	4,256	1,681	2,575
TFSME income[(e)]	8,144	3,785	4,359
Income statement net shortfall from policy functions[(f)]	(111)	(75)	(36)
Average number of employees (headcount)[(g)]	5,392	4,971	421

(a) Banking Department total assets (£943,285mn) plus Issue Department total assets (£87,018mn) minus Issue Department deposit with Banking Department (£85,512mn).
(b) CRDs were repaid on 4–5 March 2024.
(c) See page 48.
(d) See page 53.
(e) TFSME income reflects Bank Rate on TFSME loans, and TFSME fees receivable in the year.
(f) See page 47.
(g) See page 174.

Balance sheet movements

The combined balance sheet decreased by £130.8bn in 2024. The largest movement in assets was a decrease in 'Loans and advances' of £131.7bn, primarily attributable to a decrease in the loan to the Bank of England Asset Purchase Facility Fund (BEAPFF). Over the course of the year, the Bank has continued the programme set out by the Monetary Policy Committee (MPC) to reduce the stock of corporate bonds and gilts held in the Asset Purchase Facility (APF) via maturities and sales. The Bank had completed all planned sales of the stock of corporate bonds held by the APF in June 2023, with a small portfolio of very short maturity corporate bonds held to maturity. The proceeds from these activities have been used to repay the loan from the Bank.

CRDs required from banks decreased from £13.4bn to £12.3bn due to repayment of CRDs as a result of a decrease in eligible liabilities during the year. The CRD scheme has since been replaced as a funding mechanism by the Bank of England Levy, with CRDs being repaid in full on 4–5 March 2024.

There has been an increase in notes in circulation throughout the year of £1,111mn to a value of £87,018mn (2023: £85,907mn). This increase has been driven by an increase in general demand for physical currency, mainly with the £20 and £50 notes.

The balance of the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), decreased to £151.3bn from £180.5bn primarily driven by early full and part terminations from participants of the scheme.

Income statement movements

Profit before tax decreased year on year to £32mn, a decrease of £14mn, with income increasing by £5mn and expenditure by £19mn. The year-on-year increase in the Bank's costs of £19mn was driven by increased expenditure for the development of the RTGS system replacement as the project enters its latter stages and the implementation of new financial stability market tools.

Combined income increased by £5mn in 2024 primarily due to an increase in 'other' income in relation to the RTGS system replacement of £21mn, reflecting increased activity on the programme, for which all costs are recovered from industry. Trading income has also increased year on year by £17mn as a result of favourable rate movements within the Bank's foreign currency portfolio. In addition, there has been an increase of £6mn of management fee income, driven by increase of the printing of all four denominations of the King Charles III notes and general banknote production costs.

There was a year-on-year reduction in PRA regulatory income of £11mn as a result of lower pension costs and subsequently lower levy income, along with a £22mn reduction in income from CRDs due to losses on the sale of gilts during the year to fund the repayment of CRDs.

Other items of note

Funding arrangements for Issue Department

The Issue Department is funded by interest-yielding assets which are held to back the notes in circulation. The interest earned on these assets is used to fund the costs of note production and supply. The net profits/losses of the Issue Department are referred to as seigniorage, and paid/claimed directly to/from HM Treasury via the National Loans Fund (NLF), an account held at the Bank by HM Treasury. The £4,256mn net seigniorage income is comprised of income and profits of £4,344mn, less £72mn expenses and a buffer withheld by the bank of £16mn. The large increase in income and profits is driven by rising interest rates, which have led to increased interest earned on the Issue Department's deposit with the Banking Department.

TFSME income

TFSME income has risen year on year to £8,144mn, an increase of £4,359mn, due to increased interest earned on the scheme during the year following successive Bank Rate rises. The income is largely offset as corresponding reserve balances are remunerated at the Bank Rate. The Bank earns a small amount of penalty fee income for those participants whose net lending over the TFSME reference period was negative.

Combined income statement

Combined expenditure by function[a]

	2024 (£mn)	2023 (£mn)
Policy functions		
Total policy expenditure	251	236
Expenditure on policy functions	**251**	**236**
Remunerated functions		
Notes issue costs recharged to the Issue Department	72	66
Government agency services	13	14
Payment and settlement	98	78
Banking services	31	30
Other functions	8	8
Expenditure on remunerated functions	**222**	**196**
Operations funded by levies		
PRA operational expenditure	303	313
PRA special projects	10	10
PRA enforcement fines	2	3
Financial Market Infrastructure	13	11
Expenditure on operations funded by levies	**328**	**337**
Net legacy items in relation to pensions and property[b]	(24)	(11)
Expenditure on other functions	**(24)**	**(11)**
Total Banking Department	**777**	**758**
Issue Department	**72**	**64**
Internal charges and settlements under seigniorage arrangements	(72)	(64)
Total combined expenditure	**777**	**758**

(a) Combined expenditure by function represents the aggregation of the Banking Department and Issue Department, adjusted for internal charges and eliminations under seigniorage arrangements. The separation of Banking and Issue Department for accounting purposes is required by statute. A summary 'combined' income statement and balance sheet as at 29 February 2024, aggregating the Banking Department and Issue Department is provided in this financial review. It is provided for information purposes only.

(b) Net legacy items relate to expenditure items funded from the Bank's retained earnings primarily driven by interest income on the net pension assets and the cost of running Roehampton.

Total expenditure for 2024 was £777mn. This was lower than the expenditure budget of £806mn principally due to the rephasing of costs into 2025 for the multi-year programmes of work for the RTGS system replacement and assessing the case for a UK central bank digital currency (CBDC). The timing of expenditure for RTGS was reprofiled to coincide with the programme activity for system replacement. In respect of CBDC, the budget reflected an indicative view of when costs may have been incurred ahead of more detailed planning work with costs now anticipated to be incurred in later years.

This year, the Bank's priority has been to deliver its core purposes of monetary and financial stability consistent with its statutory objectives, against the backdrop of demanding geopolitical developments and continued uncertainty and volatility in the UK and global economy.

Alongside this, the Bank has continued to assess the case for a UK CBDC, while also implementing new Financial Stability market tools, and continuing the development of the RTGS system replacement.

Policy functions

	2024 (£mn)	2023 (£mn)
Income		
CRD income	135	157
SONIA (Sterling Overnight Index Average) licence income	1	1
Access to the Sterling Monetary Framework (SMF) income	4	3
Total policy income[(a)]	**140**	**161**
Expenditure (by policy area)		
Monetary Analysis and MPC	44	41
Markets, Banking and Payments	69	63
Research, Data and Analytics	33	30
Financial Stability Strategy and Risk	30	30
Resolution	21	19
FMI[(b)]	17	18
PRA[(c)]	14	14
International	12	13
Central Bank Digital Currency (CBDC) and Fintech	11	8
Expenditure on policy functions[(d)]	**251**	**236**
Net (deficit)[(e)]	**(111)**	**(75)**

(a) SONIA Licence and SMF access fee income are specific income streams for activities included within policy function expenditure.

(b) Relates to FMI policy costs that are funded by the CRD scheme. A portion of FMI costs are separately funded by an FMI levy.

(c) Relates to work completed by the PRA on behalf of the Bank's financial policy areas. These costs are recovered through the CRD scheme and not the PRA levy.

(d) The policy costs by business area are split between monetary policy and financial stability based on the cost of the activities in each area that are deemed to support monetary policy and financial stability objectives respectively.

(e) See page 47.

CRD income decreased by £22mn in year to £135mn. Expenditure on policy functions funded by CRD income was £15mn higher than the prior year at £251mn, this was driven by policy analysis and support of the Bank's data and research agendas, including research into the future of the Bank's balance sheet and the future payments landscape. This expenditure continued to result in a growing CRD shortfall.

Remunerated functions

Expenditure increased by £26mn to £222mn (2023: £196mn). This was driven by increased expenditure for the development of the RTGS system replacement as the project enters its latter stages as well as the printing of all four denominations of the King Charles III notes and general banknote production costs.

Prudential Regulation Authority

Combined operational expenditure and special project costs for 2024 decreased by £10mn to £313mn (2023: £323mn). This reduction in costs reflects reduced staff costs because of a decrease in pension costs in 2024. The Bank continues to invest in a robust regulatory regime following the UK's withdrawal from the European Union, as the PRA continues to see an expansion in its role as a rule-maker. Expenditure also reflects the PRA's proactive preparation for emerging risks in the financial system, including operational resilience.

Issue Department

Expenditure on the Issue Department increased by £8mn to £72mn (2023: £64mn), due to increased note production volumes.

Combined balance sheet

	2024 (£mn)	2023 (£mn)
Assets		
Loans and advances	911,388	1,043,097
Securities held at fair value through profit or loss	6,749	5,193
Financial instruments held	17,732	19,280
Other assets	8,922	8,012
Total assets	**944,791**	**1,075,582**
Liabilities		
Deposits	834,900	966,794
Notes in circulation	87,018	85,907
Foreign currency commercial paper in issue	5,882	5,598
Foreign currency bonds in issue	6,324	6,447
Other liabilities	5,259	5,412
Capital and reserves	5,408	5,424
Total equity and liabilities[(a)]	**944,791**	**1,075,582**

(a) Banking Department total assets (£943,285mn) plus Issue Department total assets (£87,018mn) minus Issue Department deposit with Banking Department (£85,512mn).

As mentioned in the financial highlights, the combined balance sheet decreased by £130.8bn in 2023/24, primarily attributable to a decrease in the loan to the BEAPFF. This decrease is a result of repayments of the loan from the Bank, which were driven by the unwind of corporate bonds and gilts held in the APF.

Financial review of the Banking and Issue Departments

Banking Department

The Banking Department's financial statements for the year ended 29 February 2024 are shown on pages 119–207 and reflect a profit before tax of £32mn (2023: £46mn) and tax credit of £1mn (2023: Tax charge of £7mn). The profit retained by the Bank was £33mn (2023: £39mn), and the amount payable to HM Treasury in lieu of dividend amounts to £nil (2023: £nil) due to the LAC position being below the £3.5bn threshold, in line with the capital framework.

The statement of comprehensive income reflects a net increase for the year of £337mn (2023: decrease of £302mn), comprising a post-tax operating profit of £33mn (2023: £39mn) and 'Other comprehensive loss totaling £49mn, net of deferred tax (2023: loss of £392mn).

'Other comprehensive income/(loss)' includes a net increase in the fair value of assets held at 'fair value through other comprehensive income' of £24mn, net of deferred tax (2023: increase of £56mn), retirement benefit remeasurement decrease of £61mn, net of deferred tax (2023: decrease of £394mn) and property revaluation losses of £12mn, net of deferred tax (2023: loss of £54mn).

The balance sheet of the Banking Department decreased during the year, from £1,073.9bn as at 28 February 2023 to £943.3bn as at 29 February 2024.

The main changes in Banking Department assets were due to reduction in the loan to the BEAPFF as a result of the MPC approach of unwinding corporate bonds and gilts held in the APF. The proceeds from these activities have been used to repay the loan from the Bank.

'Capital and reserves' remained in line with prior year at £5.4bn (2023: £5.4bn). The Bank's retained earnings, together with CRDs, are predominantly invested in gilts. The Banking Department's holdings of gilt securities and other supranational bonds totaled £15.1bn at 29 February 2024 (2023: £16.6bn).

At 29 February 2024, the Banking Department balance sheet contained £12.2bn of liabilities associated with the management of the Bank's foreign exchange reserves (2023: £12.0bn).

Issue Department

The statements of account for the Issue Department (which are provided on pages 208–12 reflect net profits from note issue of £4,256mn (2023: £1,681mn), payable in full to HM Treasury. The increase of £2,575mn was due to increased interest earned on the deposit with the Banking Department during the year following successive Bank Rate rises. In 2024, gilt revaluations contributed £16mn to income (2023: £nil).

Notes in circulation increased year on year, and totalled £87.0bn as at 29 February 2024 (2023: £85.9bn). The market valuation of gilts held by the Issue Department was £1.1bn as at 29 February 2024 (2023: £1.2bn). The 'Ways and Means advance'[20] to HM Treasury remained at £370mn as at 29 February 2024.

20. The Ways and Means facility functions as the Government's overdraft account with the Bank of England (the Bank), ie the facility which enables sterling cash advances from the Bank to the Government.

Top: The new King Charles III banknote.
Bottom: The Future of Money exhibition at the Bank of England Museum.

Risk management

In order to discharge our timeless mission to promote the good of the people of the United Kingdom, the Bank must ensure its own financial and non-financial risks are well-managed.

While inflation fell in 2023 it remains higher than the Monetary Policy Committee's target. We continue to monitor the effects of inflation and interest rates on the Bank's own risk profile, including on collateral valuations and credit quality. As the Bank unwinds its quantitative easing (QE) programme we are monitoring the financial impact on the related Asset Purchase Facility from a wide range of scenarios.

Mindful of the continued war in Ukraine and escalation of tensions in the Middle East, the Bank remains alert to geopolitical risks. The potential impacts for the Bank's risk profile are broad. Asset price shocks may cause increased financial risk to the Bank's balance sheet, while operational impacts might stem from threats to cyber and physical security. Such sources of risk are being closely monitored.

During the year the Bank progressed an extensive programme of work to modernise its technology estate including the existing project to renew the Bank's Real-Time Gross Settlement (RTGS) service. The scale and complexity of the change carries execution and delivery risks which are being closely monitored and managed.

In March 2024, the National Audit Office (NAO) published its review of the Bank's management of legal, ethical and staff compliance risks. The NAO noted that the Bank has made good progress in overhauling its approach to managing non-financial risks and confirmed that the Bank's overall framework for managing such risks contains the main features it expected to see. The Bank welcomed the NAO's report and is implementing their recommendations.

Risk governance

The Court of Directors

Court has responsibility for the overall governance of the Bank, including the Bank's risk management and internal control systems. Court determines the strategy for managing risk and approves the Bank's risk tolerance. It takes the lead in setting a strong risk management culture across the Bank and oversees the governance structures through which the Bank's risk management strategy is implemented.

Court has monitored the Bank's risk management activities throughout the year. This has included the regular review, at the Bank's Audit and Risk Committee, of: Internal Audit findings; risk reporting on the Bank's principal risks, controls and mitigants; metrics linked to the Bank's risk tolerance; and emerging risks.

Court has also performed its annual review of the effectiveness of the Bank's risk management and internal control systems and assessed the Bank's principal and emerging risks. Court's review was facilitated by an attestation exercise through which Executive Directors and Directors with a direct reporting line to a Governor or the Chief Operating Officer confirm compliance with the Bank's risk management and internal control requirements in the areas for which they are responsible.

Based on its ongoing monitoring and annual review, Court confirms that appropriate risk management and internal control systems were in place and operated effectively throughout the year covered in this Report and up to the date of its approval sufficient to ensure the accuracy of the Bank's financial statements.

Court acknowledges that completion of the Bank's Technology and Finance Modernisation Programmes will, alongside a continued focus on project delivery, contribute to ensuring the effectiveness of the Bank's internal control environment in the future.

The Audit and Risk Committee (ARCo)

ARCo is a sub-committee of Court. It assists Court in meeting its responsibilities for an effective system of risk management, internal control and financial reporting. ARCo receives reports on the Bank's risk profile, the operation of the risk framework and the risk management processes and systems in place. ARCo also has responsibility for reviewing the findings of internal and external auditors and monitoring outstanding actions for timely completion. A report on the work of ARCo over the past year is included at pages 106–08.

The Bank voluntarily complies with the core principles of the Senior Managers Regime. Consistent with that framework, the Chair of ARCo has responsibility for ensuring and overseeing the integrity and the independence of the Bank's Risk, Compliance, and Internal Audit functions. The Bank's Internal Auditor has a direct reporting line to the Chair of ARCo.

Executive responsibility for risk

Within the Senior Managers Regime framework, the Governor has overall executive responsibility for risk. Responsibility for the Bank's first line risk management functions is delegated to business owners, under the relevant Deputy Governor or Executive Director.

Responsibility for the Bank's second line financial and non-financial risk management functions is consolidated under the Executive Director, Risk. The Bank's central Compliance function also sits within this Directorate. The Executive Director, Risk reports directly to the Governor and has an indirect reporting line to the Chair of ARCo.

The Bank's Executive Risk Committee (ERC) is the principal forum for discussion, oversight, and challenge of material risks to delivering the Bank's mission and mitigating actions. ERC: monitors the operation of the Bank's Risk Management Framework; oversees the key risks faced by the Bank and its risk profile against tolerance; prioritises mitigating actions and targeting of resources to address key risks; and commissions deep-dive reviews into key risk areas.

ERC is chaired by the Deputy Governor for Prudential Regulation and includes as members: the Deputy Governor for Markets, Banking, Payments and Resolution; the Chief Operating Officer (COO); the Bank's Chief Financial Officer (CFO); Deputy General Counsel; eight of the Bank's Executive Directors; and one of the Bank's Directors. All Deputy Governors can attend ERC as decision-making members. ERC meets at least six times each year. Following discussion at ERC, quarterly risk reporting is shared and agreed with the Executive Operational Co-ordination Committee, which includes the Governors and COO, prior to submission to ARCo and Court.

The Risk Directorate has unrestricted access to other specialist risk and compliance functions (for example, anti-money laundering activities within the Markets and Banking areas) through a 'hub and spoke' arrangement. This ensures there is an informed cross-Bank view of the Bank's risk profile in order to make judgements about the relative weighting and prioritisation of risks; and further improve the Bank's capacity to impose compliance with its policies.

Three lines of defence

The Bank operates a 'Three lines of defence' model to distinguish between those areas which:

1. Own risk and implement controls. This is delivered by first line management. The Governors and the Executive Directors manage risk on a day-to-day basis across the Bank's directorates, identifying, assessing and mitigating the risks associated with the Bank's functions, processes and systems.

2. Provide independent forward-looking assessment, oversight and challenge of risks in real time across all operations and business lines, and define risk management frameworks and tools, and promote a strong risk and compliance culture across the Bank. This second line of defence is delivered by the Bank's Risk Directorate.

3. Provide assurance that the risk management framework is robust and that internal controls are appropriate and effective by independently and objectively evaluating internal controls, risk management and governance processes. This third line is delivered by the Bank's Internal Audit function as part of its role in helping Court and executive management protect the Bank and its subsidiaries.

The Bank's Risk Management Framework

The Bank's mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability. The Monetary Policy Committee, Financial Policy Committee, Prudential Regulation Committee and Financial Market Infrastructure Committee are responsible for making statutory policy decisions, which the Bank implements. While the management of policy risks are reserved to these committees, the implementation of policy decisions exposes the Bank to a wide variety of risks which it seeks to manage through its risk framework. It is the responsibility of the Governor and other Executive members of the policy committees to brief policy committees on any material risks relevant to their remit.

The Bank's Risk Management Framework supports a consistent approach to identifying, assessing and monitoring the risks to which the Bank is exposed, and the actions required to mitigate them. Risk management processes and systems of internal control are embedded within the Bank's operations according to the materiality of the risks involved and the relative costs and benefits of specific controls. Controls are designed to manage rather than eliminate risk and, as such, provide reasonable, but not absolute, assurance against material misstatement or loss.

The Risk Management Framework specifies the Bank's risk tolerance and provides an approach for managing both financial and non-financial risks within tolerance. The Bank tolerates a level of risk appropriate to the achievement of its policy objectives. It seeks to keep its exposure to risk low and to have a control environment and risk culture which supports this.

For financial risk, the Bank translates its tolerance into a set of limits and monitoring thresholds in order to facilitate day-to-day control of financial exposures and appropriate senior management involvement. If it is determined that the expected benefits to monetary or financial stability outweigh the risk, the Governors may, with approval from Court, exceed the Bank's usual limits.

Risk assessment is forward-looking and seeks to identify material risks to which the Bank may become exposed in conducting its day-to-day operations. For each of the Bank's key business functions a Risk and Control Self-Assessment is undertaken. A likelihood and impact matrix is used to determine risk ratings, taking into account the potential impact to the Bank's critical operations, financial position and reputation in the event of a risk crystallising.

Each non-financial Key Risk type in the Bank's Risk Taxonomy has an associated set of 'Critical Metrics' with defined thresholds. These metrics and thresholds provide a quantitative articulation of risk versus tolerance for each Key Risk type. Where risks are out of tolerance, action plans are developed to bring those risks back within tolerance.

A sound risk culture is a key pillar of effective risk management. During the year, the Risk Directorate continued its programme within the Bank to strengthen and further embed risk awareness, and the behaviours enabling effective risk management.

Principal risks

The key risks managed by the Bank during the year are summarised here. These risks arise through policy implementation and the day-to-day operations which support the Bank's mission. The Bank assesses these risks and seeks to develop appropriate mitigation plans.

We categorise risks under five main principal risk types: operational risks; financial risks; legal risks; conduct risks; and climate change risks. Risks associated with statutory policy decision-making are reserved to the Bank's policy committees. The policy committees account for their activities directly to Parliament as appropriate and policy decision-making is therefore outside the Bank's risk management framework.

Operational risks

The Bank is exposed to a broad range of operational risks through policy implementation and day-to-day operations. These include: the provision of liquidity to sterling markets; the operation of RTGS; the production and distribution of banknotes; and the collection and analysis of a wide range of economic and supervisory data.

During the year, the Bank continued to invest in mitigating a number of prominent operational risk themes including:

Technology obsolescence: following completion of detailed planning, an extensive programme of work is progressing to address obsolescence risk and modernise the Bank's technology. This will implement more widely adopted industry-standard solutions to replace the Bank's older bespoke applications over the medium term. The modernisation will maintain the stable operation of technology services.

Projects and change management: the Bank is progressing a broad range of change projects reflecting the technology modernisation programme and to keep pace with its evolving responsibilities. The Bank's change portfolio is demanding and spans many key functions with a number of complex dependencies and specialist technical requirements. Many of these projects encompass new processes and technology. Project risks are being actively managed and prioritisation exercises have been undertaken to fit demand within the available capacity to deliver. To manage the complexity, the amount of change underway, and to improve the organisation's project delivery capability, a new Change and Planning function has been created. It will exercise close oversight of project planning, sequencing and delivery, supported by individual project boards, executive governance and Court.

RTGS and renewal project: RTGS is integral to ensuring the Bank meets its objectives of monetary and financial stability. The RTGS renewal project, which will increase the system's resilience, is by any measure the Bank's biggest project to date. In June 2023 the renewal project achieved an important and significant milestone that migrated CHAPS (the UK's high-value payment system) to a global financial messaging standard. In addition, the organisation continues to closely manage risks to day-to-day RTGS operations, and has undertaken reviews of service disruptions, such as the outage experienced on 14 August 2023.[21] The Bank is working to facilitate a safe and effective transition to the renewed system.

People: the Bank's people are central to the organisation's success. The overall level of people risk has reduced following a period of recruitment to support the Bank's strategic priorities and to address a period of relatively high attrition.

Cyber: the cyber-risk environment remains elevated with continuing high-profile, well-publicised and successful cyber-attacks both in the UK and abroad. The Bank remains closely engaged with the National Cyber Security Centre to stay aware of current threats and best practice to mitigate them. This includes: rehearsing our ability to respond to and recover from a cyber-attack; engaging staff to raise awareness of cyber threats through regular communication and compulsory training; and undertaking security assessments of third parties' cyber risks and security posture. The Bank continues to invest in its cyber defences through a dedicated cyber programme.

Artificial intelligence (AI): AI and machine learning techniques are evolving rapidly. To meet the opportunities and challenges of safe and practical use of AI tools internally the Bank has established an AI taskforce, governance procedures and frameworks.

21. See Box C in Real-Time Gross Settlement (RTGS) system and CHAPS Annual Report 2022/23; **www.bankofengland.co.uk/report/2023/rtgs-and-chaps-annual-report-2022-23#_Box_C:_14**.

Operational resilience: the Bank's approach to operational resilience is aligned to the expectations that have been set for firms and FMIs.[22] The Bank aims to maintain robust and flexible business continuity and critical incident management arrangements such that mission-critical processes are resilient to disruptive events. The Risk Directorate also maintains an incident reporting system to support the analysis of existing and emerging risks that have crystallised. This analysis helps to identify control weaknesses, and allows lessons to be learnt to minimise the likelihood of reoccurrence.

Financial risks

The Bank is exposed to credit, market and liquidity risk in its operations to implement monetary and financial stability policies. Those operations include notes and payments systems operations as well as its operations in financial markets. Other activities, such as budget management and procurement activities, also expose the Bank to financial risk.

Financial risks are managed so that the occurrence of a material loss in the Bank's operations resulting from policy decisions is very unlikely. The Bank seeks to maintain a level of its own financial resources that provides it with sufficient resilience to be able to withstand a set of severe but plausible scenarios without its capital falling below a defined capital floor.

Financial risk management at the Bank is underpinned by a financial framework agreed with HM Treasury in June 2018 and codified in a Memorandum of Understanding (MoU).[23] The MoU sets out the framework for determining the Bank's capital. This framework ensures that the Bank has the financial resources to undertake the financial operations necessary to deliver its objectives, including under severe but plausible stress scenarios. The financial backing for certain operations, where the resultant exposures exceed the Bank's loss-absorbing capital, may be backed by an indemnity from the Treasury.

The UK government and corporate bonds purchased by the Bank under its QE programme are held within the Asset Purchase Facility (APF), which sits within the wholly owned subsidiary, the Bank of England Asset Purchase Facility Fund Limited (BEAPFF). Purchases made by the APF are funded by a loan from the Bank with interest charged at Bank Rate. Over the year, as the QE programme has continued to be unwound, the stock of gilts and corporate bonds decreased to £744.3bn as of 29 February 2024 (from £843.7bn as of 28 February 2023).

22. www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/publication/2021/building-operational-resilience-impact-tolerances-for-important-business-services.pdf.
23. www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/financial-relationship-between-hmt-and-the-boe-memorandum-of-understanding.pdf.

As part of this unwinding, the Bank completed its corporate bond sales programme. A small number of very short maturity bonds continued to be held in the portfolio, maturing fully by 5 April 2024. As at 29 February 2024 the stock of corporate bonds stood at £217.7mn (£8.9bn as at 28 February 2023).

The APF is fully indemnified by HM Treasury meaning that any gains or losses within the APF accrue to the Treasury and not the Bank. Under the indemnity arrangement, net cash flows generated by the APF are transferred quarterly between the APF and HM Treasury.

Since the inception of the APF in 2012, a net amount of £74.3 billion as of 29 February 2024 (£118.8 billion as of 28 February 2023) has been transferred to HM Treasury. Until July 2022, cash flows had only been in one direction, from the APF to HM Treasury, for a total amount of £123.8 billion. Since then, cash flows have been reversing, with payments totalling £44.5 billion being made from HM Treasury to the APF between March 2023 and February 2024 (with £5.0 billion between July 2022 and February 2023). The Bank conducts detailed modelling of the future cash flows between HM Treasury and the APF under a wide range of scenarios. Key scenarios are published quarterly by the Bank in the APF quarterly report.[24]

Conduct and internal policy compliance risks

The Bank is exposed to conduct risk through the actions of its staff, should they act or be perceived to act, in a way that undermines the public trust on which the Bank's mission depends, including failure to comply with the Bank's policies. The Compliance Division works with policy owners and other areas of the Bank to ensure compliance with all internal policies, making sure they are accessible, and supported by appropriate controls. Compliance also has a clearly defined role in documenting and testing the Bank's internal policy-linked controls, dealing with any breaches of the Bank's policies, increasing understanding of the Bank's policies through training and for fostering a culture of compliance across the organisation. This is further reinforced by the Bank's Our Code annual attestation process which outlines the behaviours expected of everyone at the Bank.

Compliance also houses the Bank's Data Protection Officer and the Privacy team, which creates, implements and advises on policies and procedures that are designed to ensure compliance with applicable data protection legislation. This also includes providing specialist data protection training and guidance on potential AI activities at the Bank. The Privacy team also manage and train a network of local privacy leads across the Bank who are responsible for supporting risk owners in managing first line risk and escalating matters to the Privacy team where appropriate.

24. Asset Purchase Facility Quarterly Report – 2023 Q4; **www.bankofengland.co.uk/asset-purchase-facility/2023/2023-q4**.

Climate change

The Bank must manage the climate-related transition and physical risks arising from its own operations, including those from the financial assets it holds for policy and other purposes, as it seeks to meet its emissions targets.

Legal risk

Legal risk is the risk that the Bank, or its staff, act unlawfully or fail to take the necessary or sufficient action to protect the Bank's position. Court has determined that the Bank has no tolerance for a deliberate breach of any statutory, regulatory or other legal requirement.

Emerging risks

The Bank conducts horizon scanning for emerging risks to which it may be exposed. Such risks may arise, for example, from a changing external environment and events beyond the Bank's immediate control. The Bank's emerging risks include:

- Continued elevated level of risk arising from geopolitical tensions, with the conflict in Ukraine moving into its third year and the escalation of tensions in the Middle East. This represents potential channels to a range of risk types, including cyber and other security risks, and emphasises the importance of ongoing business continuity and resilience work.

- Changing external demands on the Bank, including its evolving remit, and increasing levels of technological innovation that may place further demands on the agility and skills of the Bank's workforce. A Bank-wide Skills and Talent programme has been developed to address these challenges and monitor future developments.

- Evolving trends in digital and social media communication channels potentially impacting the Bank's ability to convey its key messages to the public. This emerging risk may be compounded by the increasing availability and sophistication of AI 'deepfake' video technology. In response, the Bank regularly assesses the appropriate external channels for its communication. The Bank also monitors online references to its name and related topics.

- The continuing pace of technological change and digital transformation across wide stretches of the external environment presents a range of emerging opportunities and challenges. These include: cyber-related risks as the Bank's third parties and outsourced service providers adopt cloud-based operations, with potential implications for the Bank's operational resilience; and the possibility of quantum decryption with its attendant risks to the Bank's operations.

Top: Celebrating the end of our two-year partnership with our former charities of the year, Carers UK, Demelza and WWF-UK.
Centre: Bank of England colleagues celebrating the King's coronation.
Bottom: Apprenticeship and Global Central Banking MSc Recognition event.

Our people

Our people are vital to our ability to deliver our statutory objectives to maintain monetary and financial stability for the good of the people of the United Kingdom. We employ people from many nationalities and our teams are made up of a wide range of skill sets. Over the past year, our colleagues have continued to demonstrate their skills, commitment, and resilience to deliver on our critically important mission against a complex external environment.

Our employment proposition

Our proposition helps us attract and retain talented and dedicated people into public service. It guides how we continually make the Bank a better place to work, with compelling reasons for people to join and stay.

At the heart of our proposition is the opportunity to do critically important and challenging work with a highly collaborative team, delivering against the mission entrusted to us by the public. We are driven by curiosity and the desire to do important, challenging work, that makes a difference for the public good.

Case study: Research at the Bank

Eddie Gerba,
Research Manager, Prudential Policy

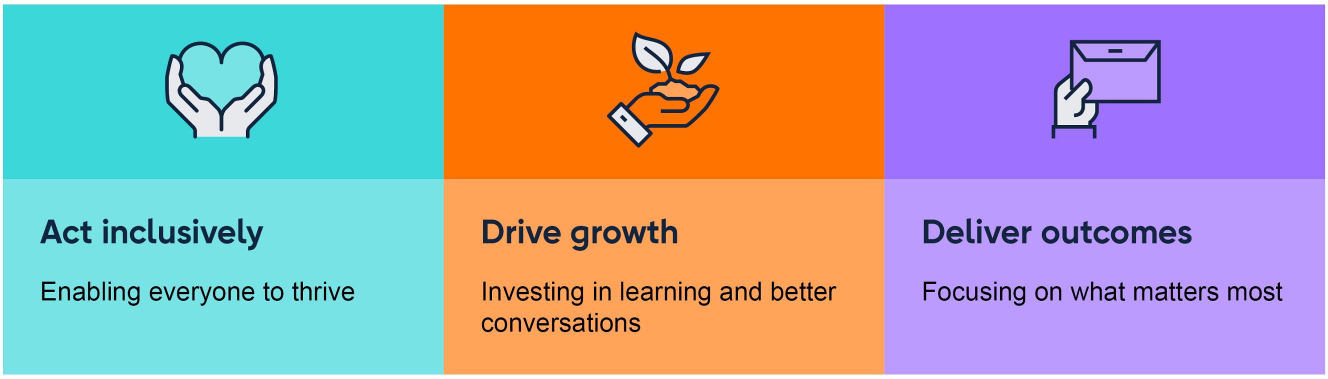
My journey at the Bank started at the onset of Covid and lockdowns in March 2020. Having spent six years working at other central banks, I was really looking forward to joining this institution as the research manager in Markets. I was tasked to set up, from scratch, a solid research function. I had a steep learning curve as I was attempting to set up a new activity in a very high-paced and variable environment. A couple of years later, I had the opportunity to move to Prudential Policy and head the research function here. This was an established research function, so my role turned to leading the 30 or so researchers and representing them and their interests at senior committees. This role has allowed me to work with colleagues from very diverse backgrounds and on all levels of the institution and elevate the exposure of the function within the Prudential Regulation Authority (PRA). Considering the wide authority of the PRA, and that we operate in a global financial centre, I believe research can have a profoundly positive impact on the UK and overseas, and I feel fortunate to play a part in that.

We have supported flexible ways of working for many years and continue to do so, while still ensuring we are ready to respond rapidly to any major financial or economic event.

A human and humble Bank, in step with the changing world

In a fast-moving world our mission requires us to keep evolving. Our ambition is to be a human and humble Bank, in step with the changing world.

We launched Our Bank Behaviours in 2023, helping colleagues to understand the behaviours that will drive success and our inclusive culture, ensuring these are built into our learning and talent development programmes. Our Bank Behaviours challenge us to act inclusively, enabling everyone to thrive; to drive growth, investing in learning and better conversations; and to deliver outcomes, focusing on what matters most (see Figure below).



Diversity, equity and inclusion (DE&I)

Ethnicity

The Court commissioned a review of ethnic diversity and inclusion, which was published in July 2021. This review was initiated in response to feedback from the Bank's Ethnic Minorities Network (BEEM) and in acknowledgment that the Bank was not making enough progress either in ethnic diversity at all levels, or in achieving an inclusive environment where minority ethnic colleagues had a positive lived experience, so they could thrive and progress equally with their peers.

Following the Court Review an action plan was developed which aimed to ensure that we are actively progressing towards attracting and retaining a more ethnically diverse workforce at all levels, with the ultimate goal of becoming a minority ethnic employer of choice.

As part of our commitment, we established five minority ethnic diversity targets for 2028, with a formal review scheduled for 2025.

Our targets are:

- 18%–20% of our senior managers to be Black, Asian and minority ethnic.
- 23% Black, Asian and minority ethnic representation in roles just below senior management.
- 20% of new appointments at Executive Director (ED) and Director-level to be Black, Asian and minority ethnic.
- 5% of our managers and above to be Black (including mixed ethnic background).
- 10% of graduate intake to be Black (including mixed ethnic background).

Although no specific targets were set for 2023/24, our progress on a straight-line basis towards 2025 is encouraging, with three out of the five targets currently on track. Specifically, two of the targets concerning all minority ethnic staff demonstrate diversity levels exceeding expectations, while the third Black manager specific target is on track with our projection.

Our target at Executive Director and Director appointments level is lagging our 2023/24 projection, although this will be measured cumulatively in 2025. Our fifth and final target for ethnic diversity, which is set for Black (including mixed ethnic background) graduate intakes, is closely following our expectations but is just short of meeting the target for this year.

In general, there is good progress towards most of our ethnic diversity targets except at the highest scales which suggests we need to do more at these senior levels.

Gender

In conjunction with the targets established for minority ethnic representation, we have also developed gender targets in alignment with our commitments as signatories of the Women in Finance Charter. As part of our broader initiative to foster a diverse and inclusive environment, we are developing the Gender Action Plan in collaboration with the Women in the Bank Network.

This plan aims to implement recommended actions to achieve gender equality within the Bank. Specifically, we have set three gender targets to be achieved by 2028, with a formal review scheduled for 2025.

These are:

- 40%–44% of our senior managers to be female.
- 43% female representation in roles just below senior management.
- Gender parity on new appointments at ED and Director-level.

Case studies: Social Mobility Working Group

Alifia Ahmed,
Associate, Private Secretary

Before joining the Bank's Graduate Scheme in 2020, I had been a member of the Social Mobility Foundation (SMF) which provided me with invaluable guidance for university and job applications. This support was incredibly helpful for me, coming from a background unfamiliar with higher education and professional life in London.

At the Bank, the focus on social mobility has been inspiring, especially in my current role in Private Office. As a Social Mobility Champion, I have held events like social mobility coffee mornings, garnering senior support and sparking conversations. I have also maintained my connection with the SMF, mentoring young people from similar backgrounds, aiming to extend the opportunities that have aided my own career progression.

Paul Wright,
Senior Manager, CS 2025 Programme

My involvement in this work started back in 2019 when I was fortunate enough to hear Dr Sam Friedman talk about his book 'The Class Ceiling'. That moment triggered the realisation that socio-economic background is the golden thread through DE&I and that there was more we should be doing to increase the diversity of social background at the Bank. Six months later we had an agreed five-year strategy and since then, I have been privileged in leading a group of dedicated volunteers to deliver change. We have seen colleagues' interest in social mobility, and importantly its intersection with other characteristics, grow.

Engagement with senior management is key and our senior management and Non-executive Directors took part in a panel session last June to mark Social Mobility Day. We have established a group of Social Mobility Champions so that we have reach across every area of the Bank, creating a psychological safe space to share stories and experience. Data is at the core of what we do, and we have used it in a myriad of ways, from the fundamentals of understanding of socio-economic backgrounds, right through to how we target our student engagement programme. Being part of this work has shown me what can be achieved when a group of people get together to bring about change.

While no specific targets were set for 2023/24, our progress on a straight-line basis toward 2025 is encouraging.

Of the three gender representation targets, one on roles just below senior management is currently ahead of schedule, one on senior managers is tracking very closely to target, and the third on appointments at Executive Director and Director-level is currently lagging.

Broader diversity and inclusion

As part of our broader initiatives to foster a diverse and inclusive environment, we are committed to fostering an inclusive workplace culture that champions diversity and equity. Central to this endeavour are our staff networks, which serve as vibrant platforms for our employees to connect, share experiences, and encourage and support positive change.

We have taken significant steps to ensure that our data collection methods accurately reflect the diverse identities of our workforce. This includes the establishment of Latin American as an ethnicity category. This move will also enrich our DE&I agenda, and group the data of these colleagues to understand their lived experience.

Another key area of focus is on driving better disability inclusion to improve disabled colleagues' lived experiences in the workplace. A priority here has been to improve data disclosure but we have not set formal targets yet.

We remain steadfast in our commitment to cultivating a respectful and supportive work environment, free from discrimination and harassment. Initiatives addressing microaggressions and promoting anti-bullying and harassment policies are integral components of our comprehensive approach to fostering a culture of respect and dignity for all employees.

Furthermore, our active participation in initiatives such as UK Black Business Week underscores our dedication to amplifying underrepresented voices and promoting economic empowerment within marginalised communities. Likewise, our decision to establish Latin American as an ethnicity category supports our Latin colleagues to feel valued and engaged, and is a step aligned to changes in wider society.

Recognising the importance of mental health in our workplace, we have made substantial improvements in training programmes aimed at promoting mental wellbeing and creating a supportive environment for our employees. By integrating mental health training into our broader diversity and inclusion initiatives, we aim to ensure that our workplace is not only diverse and equitable but also nurturing and supportive of the holistic wellbeing of our employees.

Through these concerted efforts, we remain committed to creating an inclusive workplace where every individual feels valued, respected, and empowered to thrive.

Information sharing

To help give us a clearer picture of our diversity we have been concentrating on increasing colleagues' disability, sexual orientation, faith and socio-economic information sharing. This will enable us to better understand the composition of our workforce, ensure all colleagues are supported effectively and will help us understand how reflective of the UK population we are. 9.6% of colleagues have declared that they have a disability, compared to 8.1% last year. The proportion of colleagues who identify themselves as lesbian, gay, bisexual and other (LGB+) is 5.3%, up from 5.0% last year.

Rewarding colleagues fairly – our gender and ethnicity pay gaps

We are committed to paying colleagues fairly for the work they do. This includes paying a minimum of the London Living Wage, and ensuring that our roles are regularly benchmarked against relevant external comparators.

In line with Government guidance we report on our gender pay gap each year and we also voluntarily report on our ethnicity pay gap each year, based on a similar methodology.

The gender and ethnicity pay gap looks at the difference between average hourly earnings across the whole organisation, regardless of role or level. This differs to equal pay for equal work, which compares pay for those undertaking similar roles.

The gender and ethnicity pay gaps at the Bank are predominantly driven by an imbalance of male to female and white to minority ethnic staff at different levels of seniority. Achieving our 2028 target representation, including at senior levels across both gender and ethnicity, along with improving parity across scales, will have a positive impact to help reduce our pay gaps in future years.

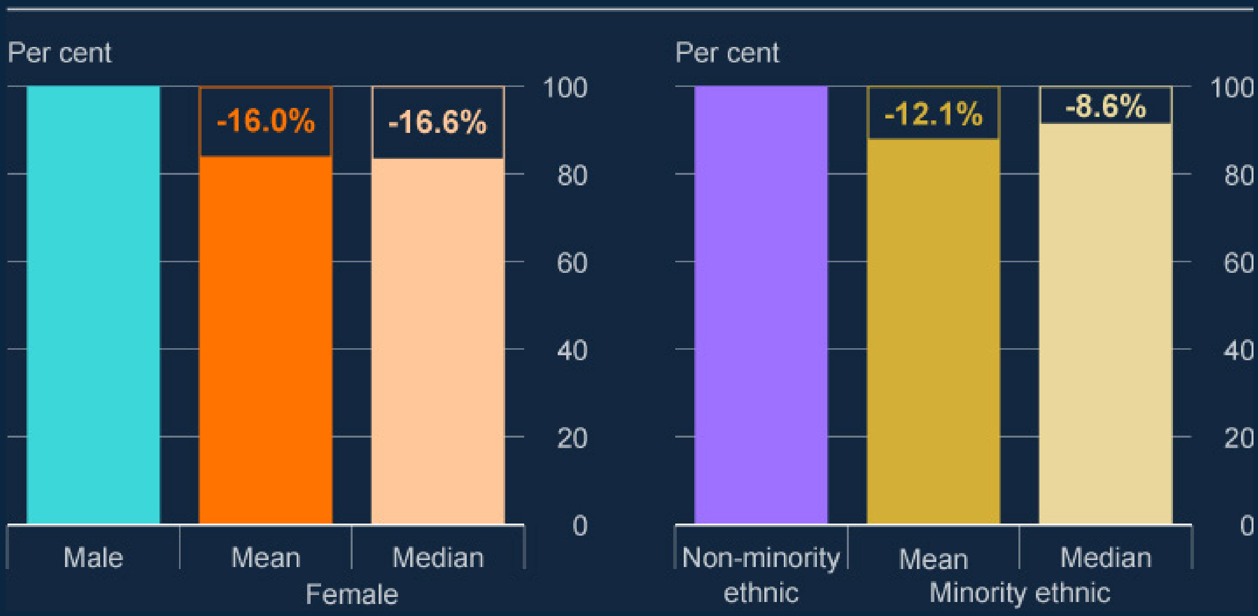
For 2024:

- **Our mean gender pay gap has decreased and as of March 2024 is 16.0%, down from 17.6% in 2023. The median gender pay gap has also decreased, from 18.2% last year, to 16.6% this year.** The reduction in the gender pay gap can primarily be attributed to an increase in female representation at senior scales.

- **Our mean ethnicity pay gap has also decreased and as of March 2024 is 12.1%, down from 12.4% in 2023. The median pay gap has increased, from 6.9% last year to 8.6% this year.** The ethnicity pay gap is predominantly driven by our recruitment trends, experiencing a high and ethnically diverse volume of recruitment over the last two years, with the intention of building our talent pipeline for the future. We have increased minority ethnic representation, predominantly at mid to lower levels of the organisation; while we have also made progress in increasing senior minority ethnic representation, we recognise there are still opportunities to build on this. The overall trend has had the impact of driving down the average hourly pay of minority ethnic colleagues, relative to that of white colleagues, and as a result impacted our median ethnicity pay gap in 2023 and 2024. Over time our focus and targets on ethnicity will see this gap reduce and we will continue to focus on building more diverse representation at all levels of the organisation, and especially at more senior levels.

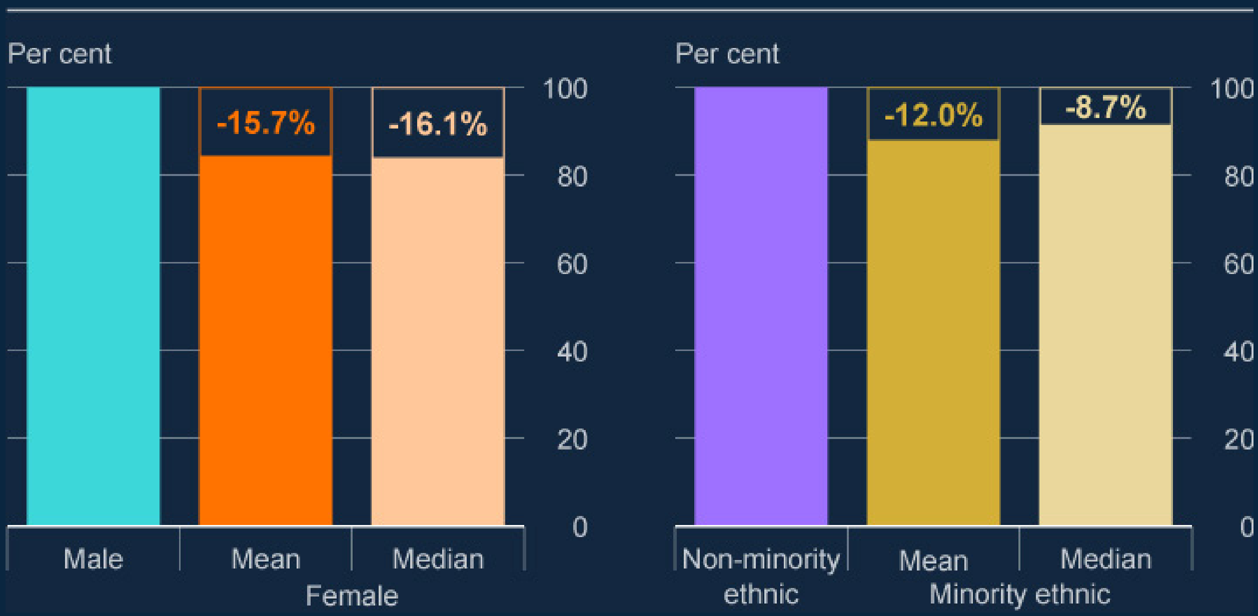
The pay gaps include most cash elements of pay – including base pay and other allowances. Looking at base pay alone, we have a mean gender pay gap of 14.4% and a mean ethnicity pay gap of 11.5%.

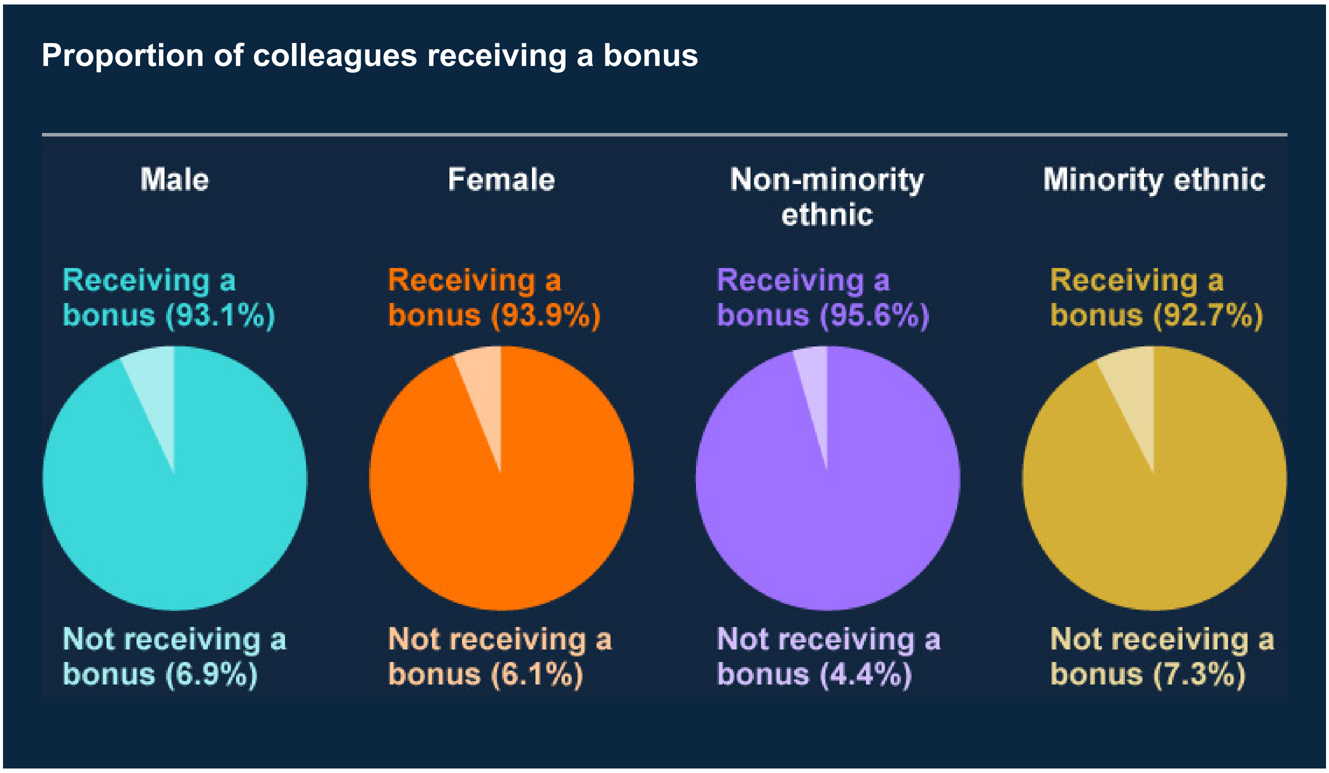
Pay gaps



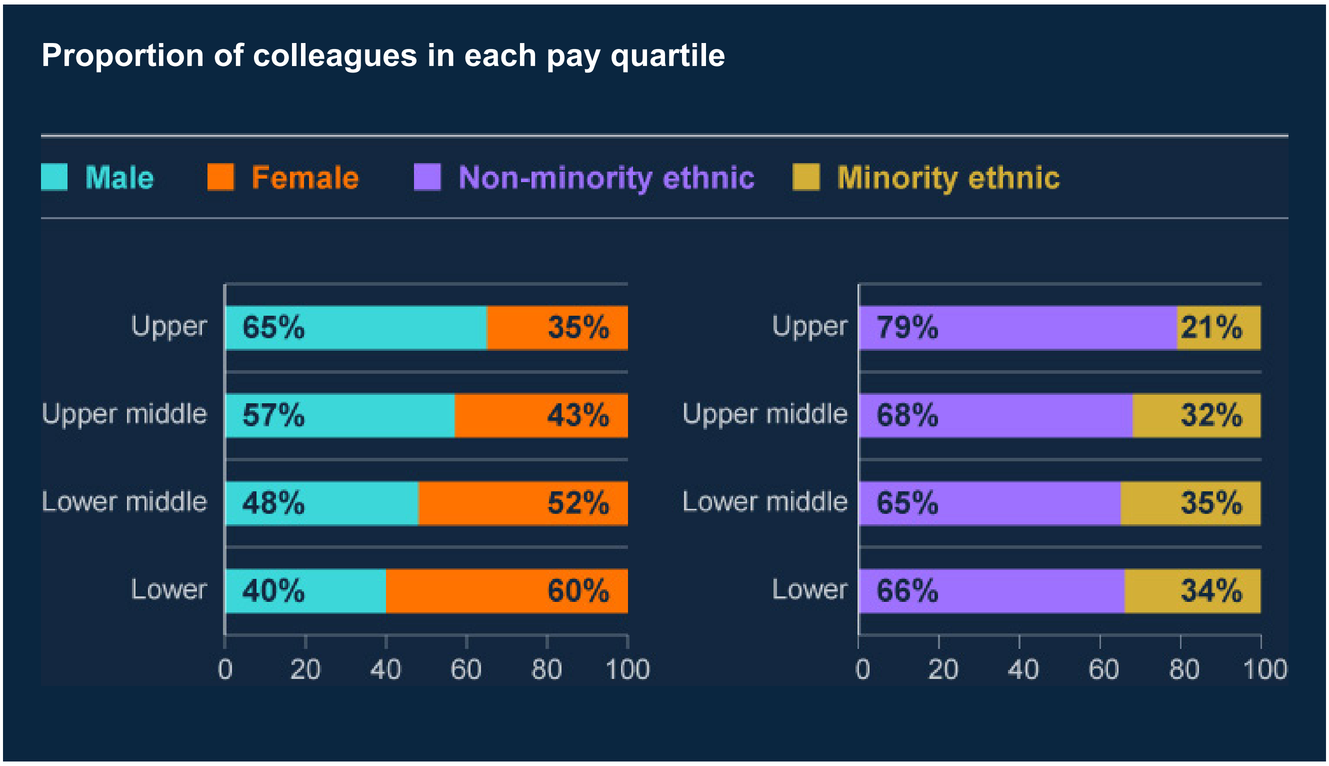
The pay gap figures are based on hourly rate of pay as at 31 March 2024 and bonuses paid in the year to March 2024.

Bonus pay gaps





All colleagues at the Bank (excluding Governors and COO) are eligible for a discretionary annual performance award, dependant on performance and start date within the performance year.



This chart shows the gender and ethnicity split when we order hourly rate of pay from highest to lowest and group into four equal quartiles.

Recruitment

We continue to attract talented people to join the Bank. Of the experienced hires who joined over the past year, 44% were female and 31% minority ethnic. We also continued with our Career Returners Programme with 21 hires, of which 95% were female and 24% minority ethnic.

Work experience

Our work experience programme offers young people from across the UK opportunities to experience working at the Bank. They learn about what we do, what skills are needed at work, and they meet colleagues from a range of different career paths. In 2023, to ensure that our work experience programme could offer opportunities to young people from across the UK, it was largely undertaken virtually. We also work with partner organisations, such as The Sutton Trust and Social Mobility Foundation, to help recruit students from a variety of backgrounds.

Apprenticeships

We continue to offer a variety of different apprenticeships across the Bank, with over 40 courses ranging from Level 3 (equivalent to A-level passes) to Level 7 (Master’s degree). Since the launch of the apprenticeship levy in 2017, we have had over 170 colleagues complete an apprenticeship and over 250 colleagues are currently undertaking an apprenticeship.

The external apprentice intake in 2023 had a cohort of 27 apprentices. It was 26% female and 56% minority ethnic.

Graduate intake

Over the course of the year, 133 graduates joined us from 47 academic institutions with degrees in over 50 disciplines, ranging from Physics to Economics to Philosophy.

Of our 2023 graduate intake, 45% were female and 41% minority ethnic with 9% being Black/Black Heritage.

Case studies: Career returners

Samantha Kennedy,
Lead Policy Analyst

I joined the Bank in June 2023 as part of the Career Returners Programme. The programme, set up in 2018, is aimed at those who have taken time out of their careers for a variety of reasons and are looking to return to the workplace. I took time out after having a family and was looking for a role which suited both my skill set and provided flexible working options.

The programme offered coaching, training and support throughout the fixed-term contract as well as a ready-made network of talented individuals. I secured a role as a Lead Policy Analyst in the Policy Delivery Team within Strategy, Risk and Operations at the PRA and currently work three days a week. The role is extremely interesting and has given me a huge insight into the PRA's policymaking process. The programme and my team made it easy to step back into the workplace and enjoy this next chapter of my career.

Samantha Welland,
Lead Policy Analyst

I joined the Prudential Policy Directorate (PPD) of the Bank in June 2023, as part of the annual Career Returners Programme. As well as the benefits of joining as part of a cohort of like-minded professionals, colleagues at the Bank have been incredibly supportive and have given up their time to help with the steep learning curve, which naturally comes from joining a new organisation, and returning to work after a career break.

Naturally, I had a few initial concerns about how I would manage full-time work and still be around enough for my children. However, the Bank's philosophy of a good work-life balance became immediately apparent and the flexibility I have, with some days working from home, and still being able to take my children to school, has made the transition back to work so much easier.

During my relatively short time at the Bank so far, I have had the opportunity to work on high-priority projects within PPD which has allowed me access to many people within the directorate. The work has been extremely interesting and provided a good level of challenge. My colleagues are all incredibly knowledgeable and friendly and I still feel that I am learning something new from them every day!

Case study: Trainee Solicitor Development Programme

Ra'chel Thorpe-Blair,
Trainee Solicitor

In the August of 2023, I became one of the first cohort of external Trainee Solicitors that was hired under the new Trainee Solicitor Development Programme by the Legal Directorate within the Bank.

Being in the first cohort of external trainees was both exciting and slightly worrying, as I was coming in with limited knowledge of the type of work the Legal Directorate does. However, I have found the experience to be positive, supportive, and incredibly interesting to date.

I have had the opportunity to work in two divisions so far, International and Domestic Reform, and Financial Stability. Both roles have been quite varied, but I have found that the immense support and wealth of knowledge from my colleagues has allowed me to develop my own legal skills, as well as gaining a better understanding of what the Legal Directorate, and the wider Bank, does. I am excited to continue developing my skills and eventually qualify as a solicitor for the Bank of England.

Learning and development

Enabling colleagues to fulfil their potential is at the heart of our learning and development offer. Colleagues have access to a range of learning opportunities that enable them to invest in themselves and their careers, starting with our enhanced induction experience setting our new colleagues up for success from the moment they join.

Our learning offer covers a syllabus from technical training delivered through our Regulatory Learning Framework, a growing set of apprenticeship options to help people develop new skills in demand in the changing world, and we have focused more investment into leadership and management capability as essential to enabling our colleagues to meet their potential.

Next year we will continue to focus on making the most of the skills of our people, while also bringing in new and diverse skills from outside. This will help to ensure we have the right mix of skills to evolve our ways of working and support our future capabilities. We will do this by: focusing on key initiatives to identify and develop skills required now and in the future;

continuing to enhance our Leadership and People Management offering; reviewing our Bank-wide talent programmes to ensure a robust and cohesive framework; and establishing professional community pathways, to ensure clarity of progression through skills development and lateral moves.

In addition to our central learning offer, colleagues can develop their skills on the job, supported by a suite of technical and professional skills. Learning and development is available through our part time study policy, digital and data analytics skills offering as we invest in the capabilities we will need in the future. There is a wide-ranging set of events provided through our networks to grow people's awareness and understanding of key topics from central bank related themes to DE&I. We also have our very popular Opportunities Exchange programme, giving people the opportunity to broaden their experience by undertaking short-term opportunities across the Bank.

Social responsibility

Outreach

Our outreach programme allows us to engage with various groups, including members of the public, on a range of issues. During the year we held a variety of Citizens' Forum events: 12 in-person panel events across different UK locations; two virtual events; and 10 groups focused on a particular topic. A key focus of all these sessions was the impact of the rising cost of living, as well as discussions on the future of money. Attendees voiced their concerns and opinions, and questioned senior members of staff about our policies and decisions.

Over the year we partnered with various charities and community groups, including Citizens' Advice, various Community Foundations, foodbanks, Advice NI and Disabilities North, to host 14 events across the UK, giving us an opportunity to listen to underrepresented groups. The rise in the cost of living, the increase in demand on services and the rise in operating costs were all dominant features at these community forum events. For example, Andrew Bailey hosted a roundtable event with care-experienced young people, where they told us and other stakeholders about how the cost of living has impacted them. We also hosted three Youth Panel events at various schools where we spoke to 16–19 year olds about the future of money and answered questions on the Bank's work.

Community

Our community programme brings colleagues together and offers ways to support communities, including through volunteering. We also build our internal community and support wellbeing through social and sporting activities. We encourage colleagues' personal fundraising and volunteering through matched funding, and our annual Court Awards recognise exceptional commitment and dedication to charitable causes and schools.

Our charities of the year offer a shared charitable purpose and are nominated, shortlisted and chosen by staff through a Bank-wide vote. In November we began working with three new partners: The Childhood Trust; Shout, powered by Mental Health Innovations; and The Trussell Trust. These charities represent a local charity, a charity closely connected to our diversity and inclusion agenda, and a national charity. We will partner with them until November 2025 to raise funds and awareness of the causes they work to support.

Our previous partner charities were Carers UK, Demelza and WWF-UK and we worked with them for two years until November 2023. We celebrated with them to mark that over £225,000 was raised during our partnership as a result of staff fundraising and matching from the Bank.

Case study: Outreach and education

Michelle Scott,
External engagement lead (North)

In January 2023, after several years working in Outreach and Education, I began leading the Bank's external engagement from our Leeds office. This has given me the opportunity to develop a network with leading organisations across various sectors. As a result, we have supported campaigns including 'National Careers Week', 'Talk Money Week', 'Leeds International Festival of Ideas' and partnered with the Bradford Science Museum.

I am a Bank Ambassador and a Social Mobility Champion and regularly deliver talks to state schools about what the Bank does. It is very rewarding speaking about the work we do and sharing my story with students who would not necessarily have considered a career here. I also lead the Bank's Community Forum programme, where we partner with various charity groups across the UK to hear about economic concerns from underrepresented groups. It is a very diverse and rewarding role and it is wonderful to have such a great network of colleagues across the UK who support our various Outreach and Education initiatives.

In addition to fundraising for our charities of the year, colleagues fundraise for the personal causes that are important to them. During the year, over £88,000 was donated to these charities through staff fundraising. Our colleagues volunteer in the local community in a number of ways, for example as school governors, mentoring young people and through the conservation of green spaces. To complement this, we started working with the charity Sports Inspired to support social mobility through sporting activities in primary schools.

Education

Our education programme focuses on supporting the development of financial and economic literacy in UK state schools. The Bank Ambassador volunteer programme is designed to introduce young people to the key responsibilities of the Bank and the jobs people do to support this work. Over the last year Bank Ambassadors have visited 411 schools across the UK.

We have also delivered banknote handling sessions in primary schools, exploring security features and the historical figures depicted on our notes. These sessions use real banknotes as the starting point for discussions about money, the economy and what payment methods might look like in the future. For National Careers Week our storytelling sessions focused on the experiences of Janet Hogarth, the first woman to work at the Bank in 1894, and her legacy today. Our work continues to focus on engaging schools and communities located in areas with high levels of socio-economic deprivation and/or low levels of social mobility.

Museum

The Bank of England Museum has had an extremely busy year attracting over 107,000 visitors from the UK and around the world. The exhibition, Slavery and the Bank, which explored the Bank's historic links with transatlantic slavery alongside a programme of monthly late-night events have proved extremely popular and helped to attract new diverse audiences to the Museum. The Museum continues to build on its successful education programme and the team delivered over 288 presentations to state school groups. The Museum also expanded its programme of family-friendly holiday activities launching a new children's trail, Data Detectives, where super sleuths had to crack the case of the forged banknotes.

Environment

We are working to continue improving the sustainability of our operations. This helps both to reduce environmental impacts and save costs through improvements in efficiency. We have had a particular focus this year on trying to optimise the operation of plant and equipment to reduce energy consumption and water losses.

Greenhouse gas emissions

Last year's publication of the Bank's Climate Transition Plan (CTP) announced a target of net-zero greenhouse gas emissions from physical operations by no later than 2040. This extended the boundary of emissions sources for the Physical Greenhouse Gas (GHG) Emissions Target to include all material sources of emissions from physical operations.

This year the Bank's carbon footprint is estimated at 78,919 tCO_2e, which is 21% (20,372 tCO_2e) lower than the previous year (2022/23). The most significant contribution to the emissions reduction is a fall in estimated emissions from purchased goods and services due to the receipt of more accurate data and methodological improvements.

In line with the GHG Protocol, in 2022/23 the Bank used a conservative approach to estimate emissions from purchased goods and services in the absence of product or service-specific supplier data. This year it has worked with suppliers to improve the specificity of its estimates, which has removed some of that conservatism and led to a reduction in emissions. This is illustrative both of the rate of development in this space and the Bank's commitment to improve its emissions reporting by engaging with its suppliers.

The Bank's improved understanding of its emissions will impact current, prior year and baseline balances in different ways. During this period of rapid change the Bank does not plan to restate its baseline emissions on an annual basis but will instead revisit this alongside the next detailed update of the CTP to be published in Summer 2026.

Further information on the Bank's carbon footprint is available in the annex at the end of this section and the Bank's Climate-related Financial Disclosure 2024.

Energy management

Energy efficiency has been an operational objective this year. Our team implemented a number of opportunities to optimise our heating and ventilation systems. By refining control settings on some of the largest equipment we have made notable energy, cost and carbon savings. As part of a wider office upgrade at our Debden site we took the opportunity to install dedicated heat pumps, helping to improve staff comfort whilst reducing dependency on gas, and cutting our carbon emissions.

Waste and resources management

We continue to work to ensure a consistent, best-practice approach to waste management across our sites. For example, this year we began a drive to eliminate single-use containers and cutlery from our food services.

Banknotes

In 2023/24, our total carbon emissions from polymer substrate production were 22% lower than in 2022/23, reflecting the impact of lower banknote production volumes. This year just under 119 million unfit banknotes were returned to the Bank and required disposal – just over 50% of these were old series paper banknotes. This is a significant reduction on last year and mainly reflects the declining volume of paper notes still in circulation following the launch of our polymer series. The Bank works with partner organisations to reduce the environmental impact of the destruction of notes. For paper notes, this consists of an ‘energy from waste’ solution. For polymer banknotes, the majority of our waste is destined for recycling to be used by third parties to make lower grade plastic items.

Employee engagement

This year, work with colleagues has centred on the CTP. We have met with teams across the Bank to help them to understand their roles and responsibilities in helping to achieve the emissions reductions necessary to meet our targets. We have also worked with a number of staff community groups and colleague-volunteers who are supporting activities to improve the Bank’s environmental footprint and responsibly steward green spaces at our sites.

Procurement

We continue to take steps to ensure our Environment, Social and Governance (ESG) objectives are aligned with our staff and supply chain. For example, this year we engaged with more colleagues across the Bank to ensure sustainability was front of mind when procuring goods and services. We also used specific ESG evaluation criteria within our procurement processes for large contracts, helping to ensure the Bank ESG's considerations were appropriately taken into account.

We continue to deepen collaboration with our supply chain to understand the environmental impact of our operations and improve the quality of our data. Alongside this, we are engaging with similar external organisations, including other central banks, to understand and share best practices in sustainable procurement. These can then be incorporated into our processes and systems.

Health and safety

We monitor our health and safety performance and annually report to the Audit and Risk Committee.

Our employees work in a relatively low-risk environment and are not exposed to significant occupational health and safety hazards. During the year to 31 December 2023 there were a total of 13 recorded accidents involving employees. None of those recorded accidents were a reportable injury as defined by the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. Accidents are recorded and investigated, and where remedial actions were identified, these were implemented to help prevent any reoccurrence.

The Bank continues to develop the hybrid working model implemented post-Covid which seeks to promote a healthy work-life balance while maintaining safety standards both within the managed offices space and the home-working environment.

Annex: The Bank's greenhouse gas emissions footprint from physical operations

Type of emissions[a]	Activity	2023/24 (tCO_2e)	2022/23 (tCO_2e)	2015/16 (tCO_2e)
Scope 1	Natural gas[b]	2,143	2,219	2,999
	Oil – generators[b]	0	1	5
	Vehicles fleet[b]	28	23	97
	Refrigerants[b][c]	186	90	53
Scope 2	Electricity[b][d]	0	0	5,563
	Polymer (notes)[b][e]	1,645	2,108	2,333
	Paper (notes)[b][e]	0	0	3,360
	Water[b]	27	23	60
	Office paper[b]	4	3	96
	Manufacturing (not elsewhere classified)[f]	24,049	14,227	29,579
	Renting of machinery and equipment, and other business activities[f]	8,450	28,349	19,670
	Post and telecommunications[f]	3,821	10,407	11,657
	Electrical and optical equipment[f]	2,993	3,205	8,606
	Health and social work[f]	1,115	3,391	4,398
	Food, beverages and tobacco[f]	1,712	2,395	3,100
	Public administration and defence; compulsory social security[f]	2,916	2,228	2,971
Scope 3 – Category 1: purchased goods and services	Other supporting and auxiliary transport activities; activities of travel agencies[f]	176	67	2,857
	Financial intermediation[f]	1,429	1,090	1,992
	Pulp, paper, printing and publishing[f]	753	761	1,874
	Education[f]	1,018	678	1,826
	Construction[f]	652	1,047	1,638

Type of emissions[a]	Activity	2023/24 (tCO_2e)	2022/23 (tCO_2e)	2015/16 (tCO_2e)
	Machinery (not elsewhere classified)[f]	1,193	1,119	1,305
	Other community, social and personal services[f]	1,101	964	1,258
	Chemicals and chemical products[f]	181	87	1,159
	Real estate activities[f]	1,365	1,099	937
	Textiles and textile products[f]	1,857	32	86
	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of fuel[f]	15	8	83
	Other[f]	465	1,931	8,223
Scope 3 – Category 2: capital goods	Capital goods	10,703	15,046	16,358
Scope 3 – Category 3: fuel and energy-related activities	Electricity transmission and distribution[b]	0	0	1,271
	Well to tank fuel and energy related	1,711	1,779	2,720
Scope 3 – Category 5: waste generated in operations	Waste[b]	10	17	32
Scope 3 – Category 6: business travel	Air travel and hotels[b][g]	3,874	1,751	4,334
	Rail travel[b]	93	28	33
Scope 3 – Category 7: employee commuting	Employee commuting	541	506	1,844
	Employee working from home[h]	2,693	2,613	0
Total		**78,919**	**99,291**	**144,377**

(a) While the Bank's Scope 1 and Scope 2 emissions are based on primary data from specific activities (eg meter readings, utility invoices), the majority of the Bank's Scope 3 Category 1 emissions are based on secondary data (eg global average data, industry average data).

(b) These entries made up the less expansive set of emissions that formed the Bank's reported carbon footprint from physical operations in previous years (eg the emissions set out in Table 3.C in the Bank's Climate-related Financial Disclosure 2023; **www.bankofengland.co.uk/climate-change/the-bank-of-englands-climate-related-financial-disclosure-2023**).

(c) Emissions associated with the use of refrigerants were not accounted for in 2015/16. The figure shown for the baseline year is an estimate based on an average of the following years.
(d) These figures are calculated using a supplier-specific emissions factor.
(e) Banknote production was unusually low in 2015/16, the baseline year, ahead of the transition to polymer banknotes.
(f) In 2022/23 the Bank's emissions from purchased goods and services were calculated based on purchase order and credit card expenditure. For completeness, in 2023/24 the methodology has been updated to include immaterial emissions related to additional forms of expenditure.
(g) This line entry was expanded to include hotels in addition to air travel in 2022/23 and subsequent years. They were not accounted for in the baseline year (2015/16).
(h) Details of the methodology used to calculate these emissions are included in the Bank's climate-related financial disclosure 2022; **www.bankofengland.co.uk/prudential-regulation/publication/2022/june/the-bank-of-englands-climate-related-financial-disclosure-2022**.

Report of the Remuneration Committee

Remuneration principles

The Bank's reward package aims to attract and retain a diverse range of talented people to public service, with the skills required for our current and future success. We are a unique employer with a public purpose offering an opportunity to make a difference. We provide an inclusive working environment which supports each individual through flexible working, a variety of career opportunities and initiatives to support their wellbeing.

Our principles are to pay our colleagues a reward package which takes into account their experience and knowledge, alongside any specialisms required to undertake the role they do, whilst also looking to recognise the contribution they make at an individual level. We help to ensure we remain competitive by regularly reviewing pay in the external market from both the public and private sector. Our remuneration package includes the following:

- base salary;
- flexible benefits;
- discretionary performance award which is linked to achievement of individual objectives and behaviours; and
- Career Average Revalued Earnings (CARE) pension.

The Bank's pension

A feature of the Bank's CARE pension scheme is that it allows individuals to vary their rate of pension accrual annually, either by surrendering pension accrual for a cash supplement, or by sacrificing salary to secure more pension. Individuals who reach relevant tax limits also have the option to opt out of the pension altogether and receive a salary supplement in lieu of pension.

The Bank's overall pension contribution is driven by both the current Career Average (CARE) pension scheme, as well as the now closed Final Salary scheme. Long-serving employees from the Bank will have built a pension entitlement which is partly linked to their final salary, so even though the Final Salary scheme is closed to new accrual, any increase in their salary will have an impact on their pension entitlement.

Former Final Salary members of the Bank's pension scheme were granted a discretion to draw their CARE benefits unabated from age 60. As part of a review of the normal pension age during 2018, it was agreed that all active members of the Bank's pension scheme would have a Normal Pension Age of 65 for any benefits they accrue from 2020 onwards.

Please note: we continue to report on our gender and ethnicity pay gaps which are linked to the Bank's inclusion agenda and can be found under the 'Our people' section of this Report on pages 70–82.

Role of the Remuneration Committee

The Remuneration Committee (RemCo) determines the remuneration of the Governors and Executive Directors and advises Court on the remuneration of other senior executives and of the external members of the MPC, the FPC, the PRC and the FMIC. RemCo also advises on major changes to remuneration structures within the Bank, including pension schemes. RemCo's aim is to ensure the remuneration policy and remuneration decisions support the Bank in recruiting and retaining the people it needs, taking account of the market in which we operate and our duty to work in the public interest.

Each year RemCo reviews and approves the rates at which pension is surrendered for a cash supplement and salary is sacrificed to secure more pension. In reaching this decision RemCo takes into account the scheme funding valuation, market movements and the Bank's broader remuneration strategy.

2023/24 remuneration

As highlighted in the Report of the Remuneration Committee in the Bank's 2022/23 Annual Report, a discretionary pay award budget of 3.5% was effective on 1 March 2023. In addition to the 3.5% pay award, a temporary 1.0% uplift to Benefits for all eligible colleagues was also allocated for the 2023/24 benefits year.

Similar to the approach we have adopted in previous years, our priority was to focus higher pay awards to colleagues across the Bank who were lower paid and/or paid lower relative to their role. A one-off payment of £750 was paid to colleagues earning a full-time equivalent salary of less than £45,000 per annum (pa) and £375 for those earning a full-time equivalent salary of £45,000 pa–£50,000 pa in December 2023. In addition, a one-off payment of £1,000 was made to critical on-site workers in January 2024.

2023 performance awards

For 2023 a discretionary performance award budget of 10% was made available to recognise individual performance (2022: 10%). This award was based on two elements: ‘Our Bank Behaviours’ to Act Inclusively, Drive Growth and Deliver Outcomes; as well as individual objectives, with an equal weighting applied. The table below shows the distribution of performance award percentage values across eligible colleagues employed on 29 February 2024:

Performance award percentage of salary	2023/24: percentage of employees
0%	0.9%
Greater than 0% up to 5%	4.2%
Greater than 5% up to 10%	62.0%
Greater than 10% up to 15%	31.3%
Greater than 15%	1.6%

Our current remuneration focus

There have been no significant changes during the 2023/24 financial year to the Bank’s remuneration package. In response to feedback, and as part of our commitments around pay transparency, our focus during the year has been on building colleagues’ understanding of the Bank’s approach to pay and pay decisions.

The Bank has recently concluded its pay review for 2024/25, with pay awards effective from 1 March 2024. A discretionary pay award budget of 4.0% was allocated alongside a permanent increase of 1.0% to the Bank’s benefits allowance after this was temporarily made available in 2023/24.

Looking ahead to 2024/25, while there are no planned major changes for the year ahead, we are currently reviewing our pension offering.

The Governors

The Governor is appointed by the Crown for a non-renewable term of eight years, and Deputy Governors, are each appointed by the Crown for five-year terms, which may be renewed once. For clarity, the Bank’s Chief Operating Officer (COO), is an employee of the Bank rather than an office-holder but is included alongside the Governors, as their remuneration structure is the same.

Governors' remuneration policy

Governors receive a salary and specified benefits, but they do not receive any additional benefits allowance or any performance award or other performance related pay. Governors are eligible to participate in the Career Average section of the Bank Pension Fund on the same basis as all staff. When relevant tax limits are reached, similar to all staff, they may choose to reduce their accrual rates or to opt-out of the pension altogether, receiving a salary supplement in lieu of pension.

In March 2023, pay for Governors and the COO was increased by 2.5%. Mr Bailey declined to accept this increase.

	Andrew Bailey		Sarah Breeden[a]		Ben Broadbent		Sir Jon Cunliffe[b]	
£	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Base salary	495,000	495,000	229,403	–	296,000	288,700	296,000	288,700
Taxable benefits[c]	2,397	2,170	11,468	–	3,756	1,302	1,938	1,736
Pension benefits	–	–	–	–	–	–	–	–
Payment in lieu of pension	99,000	99,000	71,900	–	88,618	86,539	88,618	86,539
Other	1,782	1,782	1,016	–	1,066	1,039	1,066	1,039
Total remuneration	**598,179**	**597,952**	**313,787**	–	**389,440**	**377,580**	**387,622**	**378,014**

	Sir Dave Ramsden		Ben Stimson		Sam Woods[d]	
£	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Base salary	296,000	288,700	296,000	288,700	296,000	288,700
Taxable benefits[c]	3,458	1,302	4,674	2,170	1,479	1,302
Pension benefits[d]	–	–	–	–	152,227	–
Payment in lieu of pension	59,078	57,692	59,078	57,692	8,242	86,539
Other	1,066	1,039	1,066	1,039	1,066	1,039
Total remuneration	**359,602**	**348,733**	**360,818**	**349,601**	**459,014**	**377,580**

(a) Ms Breeden was appointed as a Deputy Governor on 1 November 2023. The total remuneration reported for 2023/24 includes her remuneration as an Executive Director prior to the new appointment. For the period 1 March 2023 to 30 October 2023, the annual salary was £196,104, this increased to £296,000 pa on 1 November 2023. The taxable benefits received include a benefits allowance of £10,295 applicable to Ms Breeden's period of service as an Executive Director.
(b) Sir Jon Cunliffe's term as Deputy Governor ended on 31 October 2023 – RemCo used its discretion to impose a period of six months restricted duties during which time he continued to receive pay and benefits.
(c) Taxable benefits received include a payment of: £2,277 for two days' leave buy-back for Mr Broadbent; £1,708 for 1.5 days' leave buy-back for Sir Dave Ramsden; £2,277 for two days' leave buy-back for Mr Stimson. This also includes private medical cover for the individual and dependants (where relevant).
(d) Mr Woods opted into pension accrual from 6 April 2023 and hence the table reflects the cash in lieu of pension from 1 March 2023 to 5 April 2023 and the accrued pension from 6 April 2023 to 29 February 2024. The pension benefit is the increase in the accrued pension during the year multiplied by 20 (corporate valuation).

As office-holders, the Governors have no termination provisions, although RemCo has discretion to impose a period of restricted duties, for which they will be paid for up to six months, before individuals can accept roles outside the Bank.

Under the Bank of England Act 1998, Governors and Deputy Governors are required to provide remunerated services only to the Bank. With Court's approval, other directorships relevant to the Bank's work may be accepted, but any fees must be waived or surrendered to the Bank. Directorships held during the past year have been; the (statutory) appointment to the Financial Conduct Authority Board held by Mr Woods as Deputy Governor for Prudential Regulation; Mr Bailey sat on the Board of the Bank for International Settlements; Mr Stimson is a Non-Executive Director of Premier Marinas.

Remuneration of Non-executive Directors

The Bank of England Act 1998 provides for the remuneration of the Non-executive Directors to be determined by the Bank with the approval of the Chancellor of the Exchequer. With effect from 1 June 2009, these rates were set at £15,000 pa for Directors, £20,000 pa for the Senior Independent Director, the Deputy Chair and Committee Chairs, rising to £25,000 pa for the Senior Independent Director and Deputy Chair when also a Committee Chair.

The Chair of Court is paid £48,000 pa. Non-executive Directors do not receive any post-retirement or medical benefits from the Bank, nor any additional fees for serving on Committees. The Bank meets appropriate travel and subsistence expenses.

External members of the MPC, the FPC, the PRC and the FMIC

The external members of the MPC, FPC and PRC are appointed on a part-time basis, and their remuneration reflects the different time commitments involved for each committee. In 2023/24, the external members of the FPC were each paid at a rate of £101,700 pa, independent PRC members were paid at a rate of £114,700 pa and the external MPC members were paid £163,700 pa. For 2023/24, all fees were increased by 2.5%, rounded to the nearest hundred. MPC members, who work on average three days a week in the Bank, are also entitled to join the Bank's private medical insurance scheme.

The Financial Market Infrastructure Committee (FMIC) was placed on a statutory footing from January 2024. It was agreed that external members would be paid £31,950 pa to reflect their time commitments. For further details regarding the FMIC, please refer to pages 24–25 of this Report.

Members of the policy committees must not during their terms of office retain or accept other appointments or interests that would create a conflict with their responsibilities at the Bank. On leaving the Bank, members are paid their fee for a further period of three months, during which time the Bank has the right to veto any employment that would conflict with their former MPC, FPC, PRC or FMIC responsibilities, and requires continued adherence to the relevant committee's code of conduct.

Executive Directors' salaries and benefits

The remuneration framework for Executive Directors is consistent with that offered to all colleagues across the Bank, including a salary commensurate to their role, flexible benefits, a discretionary performance award and a career average defined benefit pension.

In recommending salaries for Executive Directors, RemCo takes into account the differences in their performance as well as their pension accrual and external benchmarks for their roles so as to achieve fair and justifiable total remuneration. In recommending individual performance awards RemCo takes account of both performance against objectives and behaviours. A portion of the performance award budget for Executive Directors is linked to their performance against Executive diversity and inclusion metrics.

In March 2023, as part of the 2023/24 Annual Salary Review the Executive Directors received an average pay increase of 2.8%.

Executive Directors: members of policy committees

The table below sets out the remuneration, excluding pension, paid to any Executive Director who served as a member of a policy committee during the year ended 29 February 2024.

£	Base salary and performance award[(a)] 2023/24	Base salary and performance award[(a)] 2022/23	Other benefits 2023/24	Other benefits 2022/23	Total remuneration (excluding pension) 2023/24	Total remuneration (excluding pension) 2022/23	Pension accrual
David Bailey	215,455	207,266	17,211	14,880	232,666	222,146	1/65th
Nathanaël Benjamin	209,533	203,946	17,176	14,782	226,709	218,728	1/95th
Sasha Mills*	220,193	210,955	17,610	15,156	237,803	226,111	1/95th
Huw Pill	205,858	198,735	17,022	14,517	222,880	213,252	1/95th
Victoria Saporta*	217,904	213,448	17,495	15,126	235,399	228,574	1/50th

(a) The format of the table above has been updated for the current year and now discloses total base salary and performance award. In order to allow a comparison to the prior year, performance award amounts for 2022/23 have been included in the table.

* Denotes those who have opted out of pension accrual and receives cash in lieu.

David Rule was also a standing member of FMIC. He is a Special Advisor paid a base salary for 2023/24 of £174,825 and other benefits of £629. He is eligible for a 1/95th Bank pension and life assurance, but not eligible for a performance award or any other benefits. He is not included in the Annual Salary Review.

All other Executive Directors: non-policy committee members

The table below shows the total remuneration ranges for all other Executive Directors as at 29 February 2024, who are not members of a policy committee. These figures reflect full-time equivalent (FTE) salary and benefits excluding pension, plus any performance awards paid during the accounting period.

Remuneration range	Number of Executive Directors 2023/24
£180,000–£199,999	5
£200,000–£219,999	3
£220,000–£239,999	6
£240,000–£259,999	–
£260,000–£279,999	1
£280,000–£300,000	1
Total	**16**

Other salaries and benefits

Below Executive Director level, 27% of colleagues earn in excess of £80,000 pa on a FTE basis. This includes pay and benefits, but excludes employer pension contributions and performance awards.

Fair pay

To show the relationship between levels of remuneration for the Governor and all colleagues, we are reporting our Bank-wide pay ratio again this year. Total remuneration for the purpose of this calculation includes salary, benefits (whether monetary or in-kind) on an FTE basis and performance awards for the year ending 29 February 2024. It does not include severance payments or pension contributions.

	Total remuneration		Salary component	
Remuneration ratios	**2023/24**	**2022/23**	**2023/24**	**2022/23**
Highest paid Director	£499,179	£498,952	£495,000	£495,000
25th percentile remuneration of total workforce and remuneration ratio	£47,198 10.6: 1	£44,002 11.3: 1	£40,000 12.4: 1	£37,227 13.3: 1
50th percentile remuneration of total workforce and remuneration ratio	£66,411 7.5: 1	£62,189 8.0: 1	£56,338 8.8: 1	£54,154 9.1: 1
75th percentile remuneration of total workforce and remuneration ratio	£91,530 5.5: 1	£85,989 5.8: 1	£78,000 6.3: 1	£73,514 6.7: 1

Report on Oversight Functions

Court – the Oversight of the Bank

Court is responsible for managing the affairs of the Bank, as distinct from the decisions taken by the four statutory policy committees. The minutes of each Court meeting are published on the Bank's website, typically two weeks after the following meeting. It will be seen from these that Court's discussions and decisions cover a wide range of issues: the Bank's strategy; its finances, balance sheet and income; its risk profile, talent management and remuneration; IT security; data management; banknotes; and its culture and diversity.

Court also has 'Oversight' responsibilities for monitoring the Bank's performance against its statutory and other objectives, the Bank's financial management and controls, and the procedures of the policy committees, whose objectives are objectives of the Bank and whose meetings non-executive members of Court are entitled to attend as observers. Court is required to make an annual report on these 'Oversight Functions'.

In delivering these functions, Court is supported by an Independent Evaluation Office (IEO), led by a senior executive with a direct reporting line to the Chair of Court. The IEO's work programme is determined by Court, and typically consists of one or two major published reviews in each year, supplemented by a number of formal and informal reviews and briefings of Court members. The IEO's usual focus is on policy rather than administrative issues, and it operates at arm's length from other areas so as not to compromise the independence of the Bank's policymaking.

The separate reports of the Remuneration Committee (pages 92–100) and the Audit and Risk Committee (pages 106–08), insofar as they relate to the Court's Oversight responsibilities, should be seen as part of this Report.

Financial management and controls

During the year, Court maintained its focus on the implications for the Bank's risk, controls and operational performance. Court monitored that the Bank maintained its controls successfully over the reporting period.

The Audit and Risk Committee monitored the Bank's risk profile throughout this time.

Court approved the appointment of the Bank's External Auditor, EY who will succeed KPMG and take on the role from financial year 2024–25.

Budgets

Court reviewed and approved the Bank's annual budget for the year ahead and monitored performance and delivery against targets. Good cost control was evident throughout the year.

Court was presented with three-year business plans for each of the business areas and given an overview of the Bank's investment portfolio. These are important components of the Bank's approach to Budget setting, investment and prioritisation.

Real-Time Gross Settlement Renewal

The renewal of the Real-Time Gross Settlement (RTGS) system is by some measure the Bank's biggest project. Given the strategic importance of the Programme, Court received updates on this at every meeting.

Court commended the team delivering the RTGS Renewal Programme for a successful delivery of Transition State 2.1, a key milestone for the Programme. Final detailed planning for the implementation of Transition State 3.0 is ongoing.

Court was updated on the outage of RTGS in August 2023 and lessons learned. Court agreed that the incident had been managed effectively, demonstrating lessons learned since the RTGS outage in 2014.

Succession planning and appointments

Court has continued to monitor and approve senior appointments, and individual non-executive members have participated in panels for key appointments. The Chair of Court was a member of the Appointments Panel for the Deputy Governor, Financial Stability and Deputy Governor, Monetary Policy. Monitoring of conflicts of interest across all of the Bank's policy committees is routinely reported to Court. The Secretary's Department maintains the conflicts of interest policies, monitors them, and reports to Court.

Diversity and inclusion

A major focus for Court has been improving the diversity of the Bank's workforce, especially at senior levels. During the reporting period, Court received updates on progress made with regards to the Court led review into ethnic diversity and inclusion. Court was also updated on how the Bank is performing against its gender targets.

Court received updates on the results of the staff Viewpoint survey and the Bank's response to that.

Court has regular engagement with the Bank's Employee Networks. Court welcomed an annual progress report from each of the Bank's 13 employee networks during the reporting period.

Additionally, Unite, the Union at the Bank, presented its annual report to Court.

Central services optimisation

Court has continued to be updated and consulted on the Bank's approach to reforming its central services function. Court has been briefed by the Bank's Chief Operating Officer (COO) at each of its meetings on a number of topical issues, such as technology modernisation and the Bank's People Strategy.

Court welcomed and approved the IEO's review into the Bank's Data Strategy and have been updated on the formulation of a refreshed Data Strategy, which has been published alongside this document.

Court reviewed the Bank's cyber resilience capabilities and the ongoing investment programme. Court judged that the Bank has built a strong defensive capability but recognised that sustained investment is required to maintain that posture in light of the continually evolving nature of the risk.

Future payments landscape

Court received updates on work being undertaken in relation to the proposed central bank digital currency and systemic stablecoins. On the latter, Court approved in principle the use of the Bank's balance sheet to provide deposit accounts for systemic stablecoin.

Court held an Away Day in the Autumn of 2023, where it discussed the future payments landscape, alongside developments in artificial intelligence.

The policy committees

The policy committees – the MPC, FPC, PRC and FMIC – operate under their own statutory remits. Court has a responsibility – statutory in the cases of the FPC and the MPC – to keep the processes of the Committees under review, and in the case of the MPC, to ensure that it takes account of regional and sectoral information. Court members observe the meetings of all four committees and ensure that their conflicts codes are monitored and observed.

Annual surveys of members are undertaken and discussed in Court. The Chair of Court supplements the surveys with individual discussions with all Committee members.

The Financial Markets Infrastructure Committee was placed on a statutory footing in January 2024. Court approved the arrangements for the Committee, including its membership and terms of reference.

Forecasting review

Court commissioned an externally led review into the Bank's forecasting and related processes during times of significant uncertainty and was delighted Dr Ben Bernanke accepted the invitation to lead the review. Court reviewed progress and emerging findings during the year. The review was published in April 2024, and provides a thorough assessment of the Bank's current forecasting approach, and the relationship between the forecast, monetary policy decisions, and their communication.

Governance and ethics

Reflecting the strategic importance of building organisational talent, culture, and capability, Court expanded the remit and scope of the Nominations Committee (NomCo). NomCo meetings have enabled greater focus on the delivery of the Bank's plan in areas such as culture, capability, succession planning and diversity and inclusion. NomCo particularly welcomed discussion on the Bank's forward-looking talent and skills strategies.

Court oversaw work to rationalise and clarify the internal governance of the Bank's balance sheet. Since the global financial crisis of 2007–08, the Bank's balance sheet had expanded in scale and scope, as has the Bank's role and the number of internal stakeholders who had different interests in the balance sheet. While there were public concordats to govern engagement with the balance sheet, these arrangements were not set out in one place and a refresh was considered appropriate to take account of subsequent developments since the concordats were first drafted. Court approved the proposal to replace the concordats with a consolidated set of Principles of Engagement with the Bank's balance sheet.

Court approved the publication of a revised 'Register of Interests'[25] in February 2023, and quarterly thereafter. This document provides heightened transparency of outside interests for all members of Court and the four policy committees.

Members of Court attendance

Year to 29 February 2024 Attendance	Court (7)	Audit and risk (7)(a)	RemCo (12)	NomCo (2)
David Roberts	7	6	12	2
Jonathan Bewes(b)	3 of 3	3 of 3	–	1 of 1
Sabine Chalmers	7	5	–	2
Lord Jitesh Gadhia	7	7	–	2
Anne Glover	7	–	11	2
Sir Ron Kalifa	7	7	–	2
Diana Noble(c)	7	6 of 6	10	1
Frances O'Grady	5 of 7	–	8	2
Tom Shropshire	7	–	7	2
Andrew Bailey	7	–	–	–
Sarah Breeden(d)	2 of 2	–	–	–
Ben Broadbent	7	–	–	–
Sir Jon Cunliffe(e)	4 of 5	–	–	–
Sir Dave Ramsden	7	5	–	–
Sam Woods	6 of 7	4	–	–

(a) ARCo typically meets six times a year; an additional meeting was held this year in relation to the appointment of the external auditor. The Chair of Court attends ARCo by invitation although is not a formal member. ARCo also invites a number of regular attendees to its meetings, notably the Deputy Governors for Prudential Regulation and Markets and Banking, COO, CFO, CRO and the Internal Auditor. An external member of PRC (Tanya Castell) attends ARCo so that the PRA's performance and risk profile can be reviewed alongside other parts of the Bank. The Bank's external auditors and representatives of the National Audit Office attend those parts of the meeting that relate to audit matters.
(b) Joined Court on 1 October 2023.
(c) Diana Noble was interim Chair of ARCo until 1 October 2023.
(d) Joined Court on 1 November 2023.
(e) Stood down on 31 October 2023.

25. www.bankofengland.co.uk/-/media/boe/files/about/register-of-interests.pdf.

Report of the Audit and Risk Committee

Audit and Risk Committee

The Audit and Risk Committee (ARCo) assists Court in meeting its responsibilities for maintaining effective financial reporting, risk management, internal controls. ARCo receives reports on the Bank's risk profile, the operation of the risk framework and the risk management processes and systems in place. ARCo also has responsibility for reviewing the findings of internal and external auditors and monitoring outstanding actions for timely completion. As a sub-committee of Court, its remit is approved by Court and set out in its Terms of Reference.[26] ARCo meetings are separated into two parts, covering audit matters and risk matters.

A key focus for ARCo during the year was overseeing the selection process for the Bank's new external auditors, EY, who will take on the role from financial year 2024–25. ARCo also continued to monitor the resilience of the Bank's balance sheet in light of the changing economic environment, including considering risk implications associated with the failures of Silicon Valley Bank and Credit Suisse. In common with other large organisations, the Bank is undertaking a substantial programme of technology modernisation; ARCo continued to focus on the risks associated with this transition. In October 2023, Jonathan Bewes took over as Chair of ARCo from Diana Noble.[27]

Audit

During 2023–24, in the audit matters part of its meetings, ARCo received, discussed, and where required approved:

- regular reports from the Bank's Chief Financial Officer (CFO), including in relation to: the annual budget process and three-year business plans; the transition to the Bank of England Levy following the enactment of the Financial Services and Markets Act 2023; the Bank's undertakings regarding its tax obligations; and the Bank's compliance with the Prompt Payments Code;

26. Annex A of Governance of the Bank of England including Matters Reserved to Court, available at **www.bankofengland.co.uk/about/people/court-of-directors/governance-of-the-bank-of-england-including-matters-reserved-to-court**.
27. Diana Noble carried out the role on an interim basis following the departure of the previous ARCo Chair.

- the approach taken to the preparation of the Bank's Annual Financial Statements, including a review of the Bank's draft financial statements (incorporating the PRA's financial reporting requirements);

- regular reports from the Bank's external auditor and the National Audit Office. These included the external auditor's strategy and audit scope, updates and reviews of the external auditor's findings, and the external auditor's reflections on their audits;

- the external auditor's Management Letter for the Bank, Management's response to the findings of the external auditor, and the Letter of Representation to the external auditor ahead of approval by Court;

- the updated policy for non-audit services undertaken by the external auditor, and reports on non-audit work commissioned by the Bank;

- internal Audit's Charter, Annual Audit Plan and resources; implementation of the Plan during the year, including any changes; and Internal Audit's Annual Report;

- regular reports from Internal Audit. As part of this, ARCo reviewed material Audit findings and monitored management progress in addressing agreed actions; and

- an annual report on Court members' expenses.

As noted above, this year ARCo also oversaw the selection process for the Bank's new external auditor and recommended to Court the appointment of EY, who will succeed KPMG and take on the role from financial year 2024–25. This followed a competitive tender issued under the Crown Commercial Service. The process was observed by the National Audit Office (NAO) and the appointment was made following consultation with the Comptroller and Auditor General of the NAO.

Risk

During 2023–24, in the risk matters part of its meetings, ARCo received, discussed, and where required approved:

- Regular reports from the Chief Risk Officer (CRO) and quarterly risk reports and updates from the Enterprise Risk and Resilience Division (ERRD), and Financial Risk and Resilience Division (FRRD) covering the main operational and financial risks to the Bank (including the PRA). These included updates on key risks, for example: the Asset Purchase Facility and associated cash flows; technology modernisation; and RTGS Renewal.

- Regular reports from the Chief Operating Officer (COO) covering major operational, control and risk matters including those relating to the strategic transformation programme in Central Services, and the NAO's review into the Bank's approach to legal, ethics and compliance risks.

- Regular updates on Technology risks from the Executive Director for Technology together with updates on cyber risks and security from the Chief Information Security Officer (CISO). More recently, these updates have been focused on the extensive programme of work to upgrade the Bank's technology architecture and address obsolescence risk across the current estate.

- Detailed reports on particular topics, including: procurement risks and effectiveness; operational resilience; risks associated with managing new joiners to the Bank; reviewing the Bank's insider threat programme; process risk; an annual horizon scan of risks and considering the implications of the National Risk Register for the Bank; and risk management of the digital pound project (while recognising any decision as to whether or not to implement a digital pound had not yet been taken).

- Reports on a range of operational matters, including the process and assurance in relation to the Bank's climate-related financial disclosure 2024; health and safety; and the Bank's insurance arrangements.

- Updates from the Chief Compliance Officer including an Annual Report from Compliance (and a review of the Our Code Attestation Process) and the Data Protection Officer's Annual Report. Compliance also updated its reporting which included analysis of the level of breaches by staff. ARCo also received updates on key policy changes including the completion of the documentation of Bank-wide policy-linked controls and the updated Working from Abroad policy.

- Annual reports from the Money Laundering Reporting Officer; Employee Relations; and the Secretary on the Bank's internal whistleblowing arrangements.

Statement of the responsibilities of the Court of Directors in relation to the financial statements

The Court of Directors is responsible for ensuring that the financial statements of the Banking Department are properly prepared on the basis set out therein, as at 29 February 2024 and for the year to that date.

The statements of account of the Issue Department are prepared in accordance with provisions agreed between the Bank and HM Treasury to implement the requirements of the Currency and Bank Notes Acts 1928 and 1954, the National Loans Act 1968 and the Currency Act 1983. The Court of Directors is responsible for ensuring that the statements of account are prepared in accordance with these requirements as at 29 February 2024 and for the year to that date.

The Prudential Regulation Authority financial statement of accounts has been prepared in accordance with the Bank of England Act 1998 (as amended) and the accounts direction given by HM Treasury. The Court of Directors is responsible for ensuring that the statement of accounts of the Prudential Regulation Authority is properly prepared on the basis set out therein, as at 29 February 2024 and for the year to that date. The Court of Directors is also responsible for ensuring that the money levied by the Prudential Regulation Authority under Parliamentary Authority recorded in the statement of accounts of the Prudential Regulation Authority is only applied to the purposes intended by Parliament.

The Court of Directors is responsible for ensuring proper accounting records are kept, which disclose at any time the financial position of the Bank and enable Court to ensure that the financial statements comply with the requirements set out in note 2 of the accounts. The Court of Directors is also responsible for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for safeguarding the assets of the Bank and its subsidiaries, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Court of Directors confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements of the Banking Department, which have been prepared on the going-concern basis. The accounting framework adopted is set out on pages 127–30.

The Directors who held office at the date of approval of this Annual Report confirm that, so far as they are aware, there is no relevant audit information of which the Bank's auditors are unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Bank's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements: Report of the Independent Auditor

Independent Auditor's Report to the Governor and Company of the Bank of England ('the Bank') and its Shareholder

Report on the audit of the financial statements

Opinion

We have audited:

- the financial statements of the Banking Department for the year ended 29 February 2024, set out on pages 119–207, which comprise the Banking Department statement of income, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes, including the accounting policies in note 2;

- the statements of account of the Issue Department for the year ended 29 February 2024, set out on pages 208–12, which comprise the Issue Department account, statement of balances, and the related notes, including the accounting policies in note 1; and

- the statement of accounts of the Prudential Regulation Authority ('PRA') for the year ended 29 February 2024, set out on pages 213–22, which comprise the PRA income statement, statement of balances, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements of the Banking Department for the year ended 29 February 2024 have been properly prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 2 on pages 127–29;

- the statements of account of the Issue Department for the year ended 29 February 2024 have been properly prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 1 on page 210; and

- the statement of accounts of the PRA for the year ended 29 February 2024 have been properly prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 1 on pages 215–17.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800, applicable law and the terms of our engagement by the Bank. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Bank in accordance with, UK ethical requirements including the Financial Reporting Council (FRC) Ethical Standard as applied to public interest entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to note 2 of the financial statements of the Banking Department, note 1 of the statements of account of the Issue Department, and note 1 of the statement of accounts of the PRA, which describe their respective bases of preparation. As explained in those notes, the financial statements are prepared to assist the Bank in complying with the financial reporting provisions of legislation applicable to the Bank, including the Bank of England Act 1998 which provides, among other things, that the Bank can disregard a disclosure requirement if it considers it necessary to do so having regard to its financial stability objective. As a result, the financial statements of the Banking Department, the statements of account of the Issue Department and statement of accounts of the PRA may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

The Members of Court have concluded that it is appropriate to prepare the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA on a going-concern basis. They have also concluded that there are no material uncertainties that could cast significant doubt over the Bank's ability to continue as a going concern for at least a year from the date of approval of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA ('the going-concern period').

In our evaluation of the Members of Court's conclusions, we used our knowledge of the Bank and the general economic environment to identify the inherent risks to the Bank and analysed how those risks might affect the Bank's financial resources or ability to continue operations over the going-concern period. We specifically considered the potential impact of severe, but plausible economic scenarios on the liquidity and loss absorbing capital of the Bank. Our procedures included critically assessing assumptions used in the Members of Court's downside scenarios and in their impact assessment.

We also assessed the appropriateness of the going-concern disclosure. Our conclusions based on this work:

- we consider that the Members of Court's use of the going-concern basis of accounting in the preparation of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA is appropriate;

- we have not identified, and concur with the Members of Court's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for the going-concern period; and

- we consider that the disclosures relating to going concern in note 2c on page 128 to the financial statements is appropriate.

However, we cannot predict all future events or conditions and subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- inquiry of the Members of Court, the Audit and Risk Committee and internal audit as to the Bank's high-level policies and procedures in place to prevent and detect fraud, including the internal audit function, and the Bank's 'whistleblowing' function, as well as whether they have knowledge of any actual, suspected or alleged fraud;

- inspecting minutes of meetings of the Members of Court and the Audit and Risk Committee; and

- using analytical procedures to identify any unusual or unexpected journal entries.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, in particular the risk that Bank management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a significant fraud risk related to revenue recognition given the fact that revenue is not complex and is not a performance driver for the Bank. We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Bank-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user and those posted to seldom used accounts;

- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and

- Performing testing over the payments process and specifically controls around the authorisation of payments.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, from our experience of the Bank and through inquiry with the Members of Court and management (as required by auditing standards), and discussed with the Members of Court and other management the policies and procedures in place regarding compliance with laws and regulations. Our assessment of risks related to compliance with laws and regulations involved gaining an understanding of the control environment including the Bank’s procedures for compliance.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA varies considerably.

First, the Bank is subject to laws and regulations that directly affect the financial statements (including the financial reporting provisions of legislation applicable to the Bank, including the Bank of England Act 1998, and taxation legislation (direct and indirect)) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Second, the Bank is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: anti-money laundering; sanctions and financial crime, data protection, employment and social security. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Members of Court and other management and inspection of legal correspondence, if any. Therefore, if a breach of applicable law or regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Members of Court are responsible for the other information presented in the Annual Report and Accounts together with the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA. Our opinions on these statements do not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our audit work over the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, the information therein is materially misstated or inconsistent with the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Report of the Remuneration Committee, the Financial Review, the Risk Management section, and the Report on Oversight Functions for the financial year for which the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA are prepared is consistent with the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA.

Members of Court's responsibilities

As explained more fully in their statement set out on page 109, the Members of Court are responsible for: the preparation of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA in accordance with applicable law and the special purpose bases of preparation set out in note 2 on pages 127–29, note 1 on page 210 and note 1 on pages 215–17, respectively; determining that the bases of preparation are acceptable in the circumstances; and such internal control as they determine is necessary to enable the preparation of financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA that are free from material misstatement, whether due to fraud or error. They are also responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going-concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Report on other legal and regulatory matters

Opinion on regularity

In our opinion, in all material respects, the money levied by the PRA under Parliamentary Authority recorded in the statement of accounts of the PRA has been applied to the purposes intended by Parliament.

Basis for opinion on regularity

We are required by Section 7(5A) of the Bank of England Act 1998 to report whether we are satisfied that the Bank has complied with the requirements of Part 3 of Schedule 1ZB to the Financial Services and Markets Act 2000 (Prudential Regulation Authority fees and penalties) (FSMA) in relation to the preparation of a statement of accounts by the Bank by virtue of its functions as the PRA. In giving this opinion, we have had regard to the requirements in Part 2 of Practice Note 10 'Audit of financial statements of public sector bodies in the United Kingdom' issued by the Financial Reporting Council.

Our opinion on regularity relates solely to the Bank's compliance with the requirements of Part 3 of Schedule 1ZB to FSMA. We are not required to and do not provide a regularity opinion on any other operations of the PRA or the Bank.

The Court of Directors' responsibilities in relation to regularity are set out in the Statement of the responsibilities of the Court of Directors in relation to the financial statements on pages 109–10.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Governor and Company of the Bank of England and its Shareholder, as a body, in accordance with Section 7 of the Bank of England Act 1998 and the terms of our engagement by the Bank. Our audit work has been undertaken so that we might state to the Governor and Company of the Bank of England and its Shareholder those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Bank, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governor and Company of the Bank of England and its Shareholder, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Faulkner
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London E14 5GL

11 June 2024

Banking Department statement of income for the year to 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Net interest income		67	98
Fee income	5a	36	35
Other income from financial instruments	5a	188	171
Management fees	5a	89	83
Income from regulatory activity	5a	328	337
Other income	5a	101	80
Net operating income		**809**	**804**
Staff costs	5b	(474)	(491)
Infrastructure costs	5b	(170)	(151)
Administration and general costs	5b	(133)	(116)
Operating expenses		**(777)**	**(758)**
Profit before tax		**32**	**46**
Taxation	6	1	(7)
Profit after tax		**33**	**39**

The notes on pages 126–207 are an integral part of these financial statements.

Banking Department statement of comprehensive income for the year to 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Profit for the year attributable to shareholder		**33**	**39**
Other comprehensive income/(loss) not reclassified to profit or loss:			
Property revaluation reserve			
Net losses from changes in fair value		(14)	(60)
Current and deferred tax	6	2	6
Financial assets at fair value through other comprehensive income reserve			
Net gains from changes in fair value	17	32	75
Current and deferred tax	6	(8)	(19)
Other			
Retirement benefit remeasurements	26	(82)	(525)
Current and deferred tax	6	21	131
Total other comprehensive loss not reclassified to profit or loss		**(49)**	**(392)**
Total comprehensive loss for the year		**(16)**	**(353)**

The notes on pages 126–207 are an integral part of these financial statements.

Banking Department statement of financial position as at 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Assets			
Cash and balances with other central banks	7	1,116	6,406
Loans and advances to banks and other financial institutions	8	165,967	192,784
Other loans and advances	9	744,305	843,797
Securities held at fair value through profit or loss	13	6,749	5,193
Derivative financial instruments	20	575	493
Securities held at amortised cost	16	15,068	16,619
Securities held at fair value through other comprehensive income	17	1,528	1,495
Investments in subsidiaries	24	–	–
Inventories		1	3
Property, plant and equipment	29	367	391
Intangible assets	30	247	237
Retirement benefit assets	26	771	719
Other assets	31	6,591	5,799
Total assets		**943,285**	**1,073,936**
Liabilities			
Deposits from central banks	10	10,209	17,533
Deposits from banks and other financial institutions	11	788,426	913,168
Deposits from banks – Cash Ratio Deposits	18	12,290	13,417
Other deposits	12	109,487	106,937
Foreign currency commercial paper in issue	14	5,882	5,598
Foreign currency bonds in issue	15	6,324	6,447
Derivative financial instruments	20	37	183
Deferred tax liabilities	34	432	448
Retirement benefit liabilities	26	129	133
Other liabilities	32	4,661	4,648
Total liabilities		**937,877**	**1,068,512**

	Note	2024 (£mn)	2023 (£mn)
Equity			
Capital	19	15	15
Capital reserves and other reserves	19	1,219	1,209
Retained earnings	19	2,902	2,940
Revaluation reserves		1,272	1,260
Total equity attributable to shareholder		**5,408**	**5,424**
Total liabilities and equity attributable to shareholder		**943,285**	**1,073,936**

On behalf of the Governor and Company of the Bank of England:
Mr A Bailey, Governor
Mr S Woods, Deputy Governor
Mr D Roberts, Chair of Court
Ms A Kyei, Chief Financial Officer

The notes on pages 126–207 are an integral part of these financial statements.

Banking Department statement of changes in equity for the year to 29 February 2024

	Note	Attributable to equity shareholder						
		Capital (£mn)	Capital reserves(1) (£mn)	Other reserves(2) (£mn)	Equity investments reserves (£mn)	Property revaluation reserve (£mn)	Retained earnings (£mn)	Total (£mn)
Balance at 28 February 2022		**15**	**1,180**	**20**	**1,065**	**193**	**3,304**	**5,777**
Post-tax comprehensive income/(loss) for the period		–	–	–	56	(54)	(355)	(353)
Payable to HM Treasury in lieu of dividend	28	–	–	–	–	–	–	–
Transfer to other reserves		–	–	9	–	–	(9)	–
Balance at 28 February 2023		**15**	**1,180**	**29**	**1,121**	**139**	**2,940**	**5,424**
Post-tax comprehensive income/(loss) for the period		–	–	–	24	(12)	(28)	(16)
Payable to HM Treasury in lieu of dividend	28	–	–	–	–	–	–	–
Transfer to other reserves		–	–	10	–	–	(10)	–
Balance at 29 February 2024		**15**	**1,180**	**39**	**1,145**	**127**	**2,902**	**5,408**

(1) Capital reserves comprise the capital injection from HM Treasury received on 22 March 2019.
(2) Other reserves comprise post-tax income arising from the investment of the capital injection. This is ring-fenced in accordance with the agreement with HM Treasury.

The notes on pages 126–207 are an integral part of these financial statements.

Banking Department statement of cash flows for the year to 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Cash flows from operating activities			
Profit before taxation		**32**	**46**
Adjustments for:			
Amortisation of intangibles	30	28	23
Depreciation of property, plant and equipment	29	37	37
Loss on sale of securities at amortised cost	16	22	–
Dividends received	5a	(14)	(14)
Net movement in accrued interest and provisions, including pensions		(823)	(2,524)
Changes in operating assets and liabilities:			
Decrease in loan advanced to the Bank of England Asset Purchase Facility Fund Ltd	9	99,431	51,211
Decrease in loan advanced to the Covid Corporate Financing Facility Ltd	9	–	1,079
Decrease in deposit with Bank of England Alternative Liquidity Facility Ltd	9	60	45
Net decrease in other advances		27,161	10,412
Net (increase)/decrease in securities held at fair value through profit or loss		(1,622)	4,339
Net decrease in deposits		(129,516)	(66,789)
Net increase in foreign currency commercial paper		259	2,535
Net (decrease)/increase in foreign currency bonds in issue		(210)	1,959
Net decrease in financial derivatives		316	1,794
Net increase in other accounts		2	–
Net decrease/(increase) in inventories		2	(1)
Net cash (outflow)/inflow from operating activities		**(4,835)**	**4,152**
Cash flows from investing activities			
Sales/(purchases) of securities at amortised cost	16	289	(2,226)
Proceeds from redemption of securities at amortised cost	16	1,149	1,463
Dividends received	5a	14	14

	Note	2024 (£mn)	2023 (£mn)
Purchase of intangible assets	30	(38)	(58)
Purchase of property, plant and equipment	29	(29)	(30)
Net cash inflow/(outflow) from investing activities		**1,385**	**(837)**
Cash flows from financing activities			
Net (decrease)/increase in Cash Ratio Deposits	18	(1,127)	374
Net decrease in lease liabilities		(13)	–
Payment to HM Treasury under Section 1(4) of the Bank of England Act 1946	28	–	–
Net cash (outflow)/inflow from financing activities		**(1,140)**	**374**
Net (decrease)/increase in cash and cash equivalents		**(4,590)**	**3,689**
Cash and cash equivalents at 1 March	22	11,144	7,455
Cash and cash equivalents at 29 February	**22**	**6,554**	**11,144**

Notes to the Banking Department financial statements
Section 1: Overview

The overview includes the general information and bases of preparation for the accounts of the Bank including the detail of the disclosure exemptions taken under the Bank of England Act 1998.

1: General information

The Bank of England is the central bank of the United Kingdom and is incorporated under a Royal Charter of 1694. It is located at Threadneedle Street, London, EC2R 8AH.

Legislation covering its operations includes the Charter of the Bank of England 1694, the Bank Charter Act of 1844, the Bank of England Act 1946 and 1998, the Banking Act 2009, the Financial Services Act 2012, the Financial Services and Markets Act 2023 and the Bank of England Act 1998 (as amended).

The Bank Charter Act 1844 requires that the Bank's note issue function is separated from its other activities. For accounting purposes, the Bank is therefore divided into Issue Department and Banking Department. Neither is an organisational unit of the Bank under the definition of IFRS 8.

The Banking Department comprises all activities of the Bank, with the exception of the Issue Department. Following agreement of the capital framework between the Bank and HM Treasury, the percentage of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters (see note 28).

The statements of account of the Issue Department are given on pages 208–12 and show the banknote issue, the assets backing the issue, the income generated by those assets and the costs incurred in the production, issue, custody and payment of banknotes. The net income of the Issue Department is paid over to the National Loans Fund (NLF).

Under the Bank of England Act 1998 (as amended) a separate statement of accounts in relation to the Prudential Regulation Authority is required. This is a subset of the Banking Department and is managed internally as a business area. The Prudential Regulation Authority statement of accounts have been set out on pages 213–22.

2: Bases of preparation

The principal accounting policies applied in the preparation of the financial statements of the Banking Department are set out in the relevant areas of the notes to the accounts. These policies have been applied consistently to all of the years presented, unless otherwise stated.

a: Form of presentation of the financial statements

The financial statements of the Banking Department comprise the statement of income, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and related notes.

Under the Bank of England Act 1998, the Bank, in preparing the financial statements of the Banking Department, is subject to requirements corresponding to the Companies Act 2006 requirements relating to a banking company. The Bank may, however, disregard a requirement to the extent that it considers it necessary to do so having regard to its financial stability objective.

The financial statements of the Banking Department have been prepared in accordance with the measurement and recognition requirements of UK-adopted international accounting standards ('IFRS').

Disclosure limitations

IFRS and the Companies Act 2006 have been used as a model for the presentation and disclosure framework to provide additional information related to key items in the financial statements, unless disclosure is deemed unnecessary due to the Bank's financial stability objective.

In exceptional circumstances, as part of its central banking functions, the Bank may act as 'lender of last resort' to financial institutions in difficulty. Although the effects of these operations will be reflected in the financial statements in the year in which they occur, it may not be in the best interests of overall confidence in the financial system as a whole for specific circumstances to be disclosed. However, the existence of such support will be reported in the Annual Report when there is no longer a need for secrecy or confidentiality.

As a result, the financial statements of the Banking Department disclose less detail of certain elements than would be required under either adopted IFRS or the Companies Act 2006. Disclosure limitations include:

- presentation of the Statement of Income disclosures;
- operating segments;
- contingent liabilities and guarantees;
- information on credit and liquidity risk;
- fair value of collateral pledged and held;
- related party disclosure; and
- off balance sheet arrangements.

b: Accounts of the Prudential Regulation Authority

The activities of the Bank acting as the Prudential Regulation Authority are reported within the Banking Department's financial statements, on the bases described here. The separate financial statements of the Prudential Regulation Authority, as required by Section 7(2A) of the Bank of England Act 1998, have been prepared in line with the requirements of the Act and with the accounts direction received from HM Treasury (further details are included in PRA financial statements on pages 213–22).

c: Going concern

The financial statements for the Banking Department, Issue Department and PRA have been prepared on the going-concern basis. Court has assessed the key financial risks impacting the Bank as disclosed in this report, and the budget for the period of 12 months from the signing of the accounts, and has determined that there are no material uncertainties that may cast significant doubt about the Bank's ability to continue as a going concern and that therefore the going-concern basis is an appropriate assumption to use in preparing the accounts. The Bank has put in place measures to enable it to continue functioning operationally, further details of these have been included in the front section of the Annual Report, on pages 60–68. This included the consideration of operational risk and other matters.

The Bank specifically considered the potential impact of severe, but plausible economic scenarios on the liquidity and loss-absorbing capital of the Bank as well as the impact on expected credit losses (ECL) and pensions. The Bank has considered the output of stress testing in its going-concern assessment, see note 21 'Financial risk management'.

The Bank also assessed the appropriateness of the going-concern disclosure.

d: Consolidation

Under the Bank of England Act 1998, the financial statements are prepared on a non-consolidated basis. As such the financial statements of the Bank's subsidiaries, including the Bank of England Asset Purchase Facility Fund Ltd (BEAPFF) and the Bank of England Alternative Liquidity Facility Ltd (BEALF), have not been consolidated. Investments in subsidiaries are stated in the balance sheet at cost, less any provision for impairment in value. Dividends from subsidiaries are recognised in the income statement when declared.

e: Foreign currency translation

i: Functional and presentation currency

The financial statements of the Banking Department are presented in sterling, which is the Bank's functional currency.

ii: Transactions and balances

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Where a gain or loss on a non-monetary item is recognised directly in other comprehensive income, such as equity investments, the related exchange gain or loss is also recognised in other comprehensive income.

f: Commitments on behalf of HM Treasury

In its operation of the Exchange Equalisation Account, the Bank acts as a custodian of gold on behalf of HM Treasury, and provides accounting, trading and operational services. These commitments are not included in the financial statements.

3: Significant accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates

a: Post-retirement benefits

Post-retirement benefits are long-term liabilities whose value can only be estimated using assumptions about developments over a long period. The Bank has employed actuarial advice in arriving at the figures in the financial statements (see note 26, which includes relevant sensitivity analysis). Members of Court consider the assumptions used by the actuary in their calculations to be appropriate for this purpose.

b: Fair value of equity investments

The Bank's accounting policy for the valuation of financial instruments is described in Section 3. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair-value measurement is high. Details of valuation techniques for the different classifications are given in Section 3.

Fair values of the Bank's equity investments rely to a greater extent on unobservable inputs and therefore require some degree of estimation to calculate a fair value. These equity investments, disclosed in note 17, are held by the Bank for the long term as part of its central banking activities and may not be readily saleable. The values have generally been established using an adjusted net asset value basis (see Section 4, which includes relevant sensitivity analysis).

Judgements

Expected credit loss

Impairment under IFRS 9 adopts a staging approach, with Stage 1 representing the lowest credit risk and Stage 3 the highest. When a new asset is originated it is classified as Stage 1 (normal origination). Moving from Stage 1 to Stage 2 is a key judgment, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the immaterial impact of expected credit loss this is not considered to be a significant judgement under IAS 1.

4: Post balance sheet events

The Bank has evaluated post balance sheet events up to the date of the Annual Report and Accounts signing and note there are no events that have occurred which require adjustments to the disclosures in the financial statements. As described in the Financial review, on 1 March 2024, the Bank of England Levy replaced the Cash Ratio Deposit (CRD) scheme as a means of funding the costs of the Bank's monetary policy and financial stability operations. CRDs were returned to eligible institutions on 5 March 2024. For further details see page 157.

Section 2: Results for the year

This section analyses the financial performance of the Bank for the year.

Accounting policies

Interest income

Interest income is recognised in the income statement using the effective interest rate method for all interest-bearing financial instruments except for assets measured at fair value through profit and loss.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, and any revisions to these estimates are recognised in the income statement. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Valuation gains and losses

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise.

Fee income and management fees

Fees are recognised as the service is provided, as this is the point at which the performance obligation, with the identified customer, is considered to be satisfied.

Income from regulatory activity

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement (AFR) consultation process, along with fees for specific regulatory activity. This fee income, which is deemed to be equivalent to the value of relevant expenditure incurred in the year, is recognised in the income statement as the service to regulated entities occurs.

Cost recoveries

Costs in relation to reports under section 166 of the Financial Services and Markets Act 2000 are fully recovered directly from the specific entities under review. The recovery of these costs is matched directly to the costs incurred in the income statement within expenditure.

Dividends

Dividends on equity investments that are fair value through other comprehensive income (FVOCI) are recognised in the income statement when declared.

Sundry income

The Bank accrues for income relating to the RTGS Renewal project in line with costs incurred. This income will be recovered from RTGS members once the system goes live.

5a: Net operating income

	Note	2024 (£mn)	2023 (£mn)
Fee income			
Payment services fee income		22	22
Banking operations		14	13
		36	**35**
Other income from financial instruments			
Net expense from financial instruments designated at fair value		(3)	(42)
Income from securities held at amortised cost	16	191	213
		188	**171**
Management fees			
Fee for services to BEAPFF	27	3	2
Fee for services to the CCFF	27	–	1
Charges to HM Government bodies	27	86	80
		89	**83**
Income from regulatory activity			
Income from PRA regulatory activity		315	326
Income from Financial Market Infrastructure levy		13	11
		328	**337**
Other income			
Dividend income(1)		14	14
Premises income		9	7
Sundry income		78	59
		101	**80**
Net operating income (excluding net interest income)		**742**	**706**

(1) In 2024, £14mn dividend income was received from the Bank's unlisted equity investment in BIS (2023: £14mn). See Accounting Policies on page 156.

5b: Operating expenses

	Note	2024 (£mn)	2023 (£mn)
Staff costs	25	474	491
Total staff costs		**474**	**491**
Infrastructure costs			
Property and equipment		102	89
Depreciation of property, plant and equipment	29	27	27
Lease interest		1	1
Operating lease rentals		1	1
Amortisation of intangible assets	30	28	23
Depreciation on Right of Use assets	29	10	10
Impairment of property, equipment and intangible assets		1	–
Total infrastructure costs		**170**	**151**
Administration and general costs			
Consultancy, legal and professional fees		73	71
Subscriptions, publications, stationery and communications		2	2
Travel and accommodation		4	3
Other administration and general expenses		54	40
Total administration and general costs		**133**	**116**
Operating expenses		**777**	**758**

6: Taxation

Accounting policies

Corporation tax payable on profits, based on UK tax laws, is recognised as an expense in the period in which profits arise. The Bank is entitled to tax relief on the amount due to HM Treasury as a payment in lieu of a dividend in accordance with Section 1(4) Bank of England Act 1946.

Tax relief on any amounts due to HM Treasury is credited directly to the income statement in accordance with paragraph 57A of IAS 12.

The tax charged within the income statement is made up as follows:

	Note	2024 (£mn)	2023 (£mn)
Corporation tax – current year		–	–
Corporation tax – prior year		–	–
Deferred tax – current year		6	5
Deferred tax – prior year		(7)	2
Tax (credit)/charge on profit	34	**(1)**	**7**

The tax charged within the income statement differs from the amount calculated at the basic rate of tax on the profit for the year and is explained below:

	2024 (£mn)	2023 (£mn)
Profit before tax	**32**	**46**
Tax calculated at rate of 24.50% (2023: 19.00%)	8	9
Non-taxable income	(4)	(4)
Non-deductible expenses	2	1
Difference between current and deferred tax rate	–	(1)
Prior year adjustments	(7)	2
Total tax (credit)/charge for the period	**(1)**	**7**

Tax (credited)/charged to equity through other comprehensive income:

	Note	2024 (£mn)	2023 (£mn)
Tax (credited) to equity through other comprehensive income			
Current tax		–	–
Deferred tax	34	(15)	(118)
Tax (credited) to equity through other comprehensive income		**(15)**	**(118)**

	2024 (£mn)	2023 (£mn)
Breakdown of tax (credited)/charged to equity through other comprehensive income		
Revaluation of FVOCI securities	8	19
Tax losses carried forward	–	–
Revaluation of property	(2)	(6)
Remeasurements of retirement benefits	(21)	(131)
Tax (credited) to equity through other comprehensive income	**(15)**	**(118)**

The rate applicable for the year ended 29 February 2024 is 24.5% (2023: 19%).

Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

On 23 May 2023, the International Accounting Standards Board ('IASB') issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately and were approved for adoption by all members of the UK Endorsement Board on 19 July 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Bank of England qualifies for the Governmental Entities exemption.

Section 3: Financial assets and liabilities

This section analyses the financial assets and liabilities held by the Bank in fulfilling its policy objectives.

Financial instruments

Accounting policies

Financial instruments: assets
i: Classification of financial assets

Classification and measurement
IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects: the business model within which the asset is held (the business model test) and the contractual cash flows of the asset in relation to the solely payments of principal and interest (SPPI) test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The Bank determines the classification at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are classified as measured at FVPL.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice.

- How the performance of the portfolio is evaluated and reported to management.

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair-value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Solely payments of principal and interest (SPPI) criteria

Under IFRS 9, the SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (eg liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (eg non-recourse asset arrangements); and
- features that modify consideration of the time value of money – eg periodical reset of interest rates.

Financial assets at amortised cost

The Bank classifies financial assets at amortised cost where the business model is to hold these assets to collect contractual cash flows and the SPPI criteria has been met.

This category includes sterling debt securities, Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), secured lending agreements held at amortised cost and the loans to BEAPFF and BEALF. Assets in this category exclude those reverse repurchase agreements which are designated at fair value through profit or loss.

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

The Bank defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Bank does not currently hold any financial assets for trading but has elected to designate the following at fair value through profit or loss at inception:

- securities and reverse repurchase agreements matching the Bank’s issued foreign currency securities; and

- securities and reverse repurchase agreements matching the fixed-term deposits placed at the Bank by other central banks.

Financial assets at fair value through other comprehensive income

The Bank has made an irrevocable election to designate unlisted equity investments at fair value through other comprehensive income. These are designated at fair value through other comprehensive income as they are not held for trading.

The unlisted equity investments held by the Bank are held as part of its functions as a central bank and are thus of a long-standing nature. It includes the Bank’s investment in the Bank for International Settlements which consists of shares of 5,000 Special Drawing Rights.

ii: Initial recognition of financial assets

All financial assets are initially recognised at fair value plus or minus directly attributable transaction costs. Loans and advances and reverse repurchase agreements designated at fair value through profit or loss are recognised on a settlement-date basis. Purchases of all other categories of financial assets are recognised on a trade-date basis.

iii: Subsequent valuation of financial assets

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the income statement. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the income statement using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Bank establishes fair value by using appropriate valuation techniques. The policy for establishing fair values of securities in non-active markets is described in note 3 'Significant accounting estimates and judgements in applying accounting policies' on pages 129–30.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has either transferred substantially all of the risks and rewards of ownership or the Bank deems that it no longer retains control of the risks and rewards of ownership.

The Bank has no modified financial instruments.

iv: Impairment of financial assets

IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVPL, under the expected credit loss model:

- financial assets that are debt instruments measured at amortised cost or FVOCI;
- lease receivables; and

- loan commitments and financial guarantee contracts issued.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. Under IFRS 9, no impairment loss is recognised on equity investments.

The term ‘expected credit loss’ does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- on financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – ie the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive; and

- on financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Definition of default

Under IFRS 9, the Bank will consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (ie risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank’s historical experience, expert credit assessment and forward-looking information.

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process, which keeps the creditworthiness of counterparties under review, and would highlight any counterparty that showed indications of a significant increase in credit risk.

Impairment under IFRS 9 adopts a staging approach. When a new asset is originated it is classified as Stage 1 (normal origination). Moving from Stage 1 to Stage 2 is a judgement based on management defined criteria of whether there is a significant increase in or absolute amount of credit risk (note 3). Staging determines whether 12-month ECL (Stage 1) or lifetime ECL (Stage 2 and 3) is applicable. If the indicators of significant increase in credit risk are no longer present then the asset returns from Stage 2 to Stage 1. The move from Stage 2 to Stage 3 is based upon 'default'. If an asset ceases to be 'defaulted' then it will return to Stage 2. Staging and cure (being no longer in default) is assessed using the Bank's internal credit rating framework.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- probability of default (PD);
- exposure at default (EAD); and

- loss given default (LGD).

PD estimates are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors. The calculation is provided by Financial Risk and Resilience Division (FRRD) and relates to the credit risk rating scale provided by the Financial Risk Management Division (FRMD).

EAD is the magnitude of the exposure if there is a default. The Bank derives EAD parameters based on the risk characteristics of the collateral used for loans, and considering the potential for changes in the value of that collateral from the point of lending until the collateral could be liquidated post-default.

LGD is the proportion of an exposure that is lost as a result of a counterparty default.

Forward-looking information

IFRS 9 Financial Instruments requires that in determining the ECL, estimates of forward-looking macroeconomic factors are incorporated in multiple scenarios about the future economy. The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information, taking into account management's current assessment of the possible impacts of Covid. This process involves developing four different economic scenarios, which represent a range of scenarios linked to economic variables such as house prices and interest rates. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments, choosing scenarios that specifically test the resilience of the Bank to financial stress.

ECL calculation

ECL is calculated by identifying scenarios in which a loan or receivable defaults, estimating the cash shortfall that would be incurred and then multiplying that loss by the probability of the default happening.

When an ECL is identified, the carrying amount of the asset would be reduced and the amount of ECL is recognised in the income statement. At 29 February 2024 the Bank recognised an ECL provision less than £1mn (2023: less than £1mn).

Financial instruments: liabilities

i: Classification of financial liabilities

The Bank classifies its financial liabilities in the following categories: liabilities measured at amortised cost and financial liabilities at fair value through profit and loss.

Liabilities measured at amortised cost

Short-term customer deposits held are carried at cost with interest expense accruing on an effective interest rate basis. Cash Ratio Deposits are taken to fund certain activities of the Bank in accordance with the Bank of England Act 1998. These deposits are held at cost and are interest free. Money market instruments are carried at cost and are issued at a discount which is amortised through the income statement on an effective interest rate basis.

Financial liabilities at fair value through profit or loss

The Bank designates the following financial liabilities at fair value through profit or loss:

- commercial paper with tenor not less than one day or more than 364 days denominated in non-sterling currencies;

- three-year bonds denominated in US dollars, which were issued as part of the Bank's annual medium-term issuance programme, including the repurchase agreements matching the Bank's issued foreign currency securities; and

- fixed-term deposits placed by other central banks including the repurchase agreements matching the deposits.

This designation is to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

ii: Initial recognition of financial liabilities

Fixed-term deposits taken from central banks are recognised on a settlement-date basis. Money market instruments issued, short-term deposits, commercial paper issued and bonds issued by the Bank are recognised on a trade-date basis.

iii: Subsequent valuation of financial liabilities

Gains and losses arising from changes in the fair value of liabilities classified at fair value through profit or loss are included in the income statement in the period in which they arise.

The fair values of quoted financial liabilities are based on current offer prices, as this is considered to be the price that would be paid to transfer a liability in an orderly transaction between market participants.

Financial liabilities are derecognised when the obligation to pay cash flows relating to the financial liabilities has expired. If the Bank buys any of its own securities as part of its operations, these are removed from the balance sheet.

Collateral pledged under sale and repurchase agreements

Securities sold subject to repurchase agreements are assets provided as collateral where the transferee has the right by contract or custom to sell the collateral. These securities remain on the balance sheet and the liability is included in deposits from banks and other financial institutions. Securities purchased under agreements to resell ('reverse repurchase agreements') are not recognised on the balance sheet; the payment to buy the securities is included in loans and advances to banks and other financial institutions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

Securities loaned to counterparties also remain on the balance sheet. Securities borrowed are not recognised on the balance sheet, unless they are sold to third parties, in which case the obligation to return the securities is recorded at fair value as a liability.

The Bank may accept its own securities as collateral for reverse repurchase agreements. Such reverse repurchase transactions are treated as collateralised and are treated in the same way as other reverse repurchase transactions.

7: Cash and balances with other central banks

	Note	2024 (£mn)	2023 (£mn)
Cash and balances with other central banks	22	1,116	6,406
		1,116	**6,406**

Cash and balances with other central banks are held in correspondent accounts used for Bank and customer business.

8: Loans and advances to banks and other financial institutions

	2024 (£mn)	2023 (£mn)
Secured lending agreements held at amortised cost	2,939	2,850
Reverse repurchase agreements held at fair value through profit and loss	11,688	9,431
Other loans and advances	16	1
Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) loans	151,324	180,502
	165,967	**192,784**

These balances include advances, secured lending and reverse repurchase agreements arising as part of the Bank's open market operations, as well as advances matching the deposits taken (notes 10 to 12).

The level and composition of the Bank's open market operations depends on movements in the Bank's balance sheet as detailed on the web pages of the Bank of England Market Operations Guide.[28]

Accrued interest on secured lending agreements held at amortised cost is recognised in note 31 'Other assets'.

At 29 February 2024 loans and advances to banks and other financial institutions included cash and cash equivalents of £5,081mn (2023: £4,738mn) which are disclosed in note 22.

28. www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide.

Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME)

In March 2020, the Bank's policy committees announced a comprehensive package of measures to help UK businesses and households manage the economic disruption caused by the Covid virus. Part of this package involved the launch of the TFSME.

The TFSME was designed to:

- help reinforce the transmission of the reduction in Bank Rate to the real economy to ensure that businesses and households benefit from the MPC's actions;
- provide participants with a cost-effective source of funding to support additional lending to the real economy, providing insurance against adverse conditions in bank funding markets;
- incentivise banks to provide credit to businesses and households to bridge through a period of economic disruption; and
- provide additional incentives for banks to support lending to small and medium-sized enterprises (SMEs) that typically bore the brunt of contractions in the supply of credit during periods of heightened risk aversion and economic downturns.

The drawdown period ran until 31 October 2021, or 30 April 2021 for participants which opted out of the TFSME extension. The term of each transaction was for four years from the date of drawdown. Participants in a TFSME Group that contains one or more accredited lenders under the British Business Bank's Bounce Back Loan Scheme (BBLS) will be able to extend the term of some transactions to align with the term of loans made through the BBLS. Please refer to the relevant Operating Procedures[29] for further information. The fee is determined based on the net lending of each participant over the reference period of the scheme. This fee ranges from 0 basis points to 25 basis points. The reference period ran from 31 December 2019 to 30 June 2021, or 31 December 2020 for participants which opted out of the TFSME extension.

TFSME scheme fees arising on lending are recognised as income on an accruals basis.

TFSME income reflects Bank Rate on TFSME loans and £1.3mn (2023: £1.4mn) scheme fees receivable in the year. TFSME scheme fees are retained by the Bank as income.

Accrued interest for TFSME is disclosed in note 31 'Other assets'.

29. TFSME operating procedures, **www.bankofengland.co.uk/-/media/boe/files/markets/term-funding-scheme-sme/operating-procedures.pdf**.

9: Other loans and advances

	Note	2024 (£mn)	2023 (£mn)
Loan to the Bank of England Asset Purchase Facility Fund Ltd	27b	744,305	843,736
Term loans		–	1
Deposit with Bank of England Alternative Liquidity Facility Ltd	27b	–	60
		744,305	**843,797**

Loan to the Bank of England Asset Purchase Facility Fund Ltd

In January 2009, the Chancellor of the Exchequer authorised the Bank to set up an Asset Purchase Facility (APF) to buy high-quality assets financed by the issue of Treasury bills. The aim of the APF was to improve liquidity in credit markets. The Chancellor also announced that the APF provided an additional tool that the Monetary Policy Committee (MPC) 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.

The APF transactions are undertaken by a subsidiary company of the Bank of England – the Bank of England Asset Purchase Facility Fund Limited (BEAPFF). The transactions are funded by a loan from the Bank.

The Bank has continued the programme set out by the MPC to reduce the stock of corporate bonds and gilts held in the APF via maturities and sales. The proceeds from these activities have been used to repay the loan from the Bank.

The loan amount excluding accrued interest due from BEAPFF as at 29 February 2024 is £744.3bn (2023: £843.7bn).

Accrued interest of £3.1bn on the loan is recognised in note 31 ‘Other assets’.

10: Deposits from central banks

	2024 (£mn)	2023 (£mn)
Deposits repayable on demand	2,185	4,001
Term deposits held at fair value through profit and loss	8,024	13,532
	10,209	**17,533**

Term deposits held at fair value through profit and loss largely constitute deposits the Bank accepts from its central bank customers to support sterling as a global reserve currency and to support the reserve management requirements of other central banks. Funds are placed on a secured basis.

Accrued interest on deposits repayable on demand is recognised within ‘Short-term creditors and other liabilities’ in note 32 ‘Other liabilities’.

11: Deposits from banks and other financial institutions

	2024 (£mn)	2023 (£mn)
Deposits repayable on demand	788,100	913,168
Repurchase agreements	326	–
	788,426	**913,168**

Accrued interest on deposits repayable on demand is recognised within ‘Short-term creditors and other liabilities’ in note 32 ‘Other liabilities’.

The majority of deposits repayable on demand comprises reserves accounts held at the Bank. Reserves accounts are sterling current accounts for banks and building societies. They are the most liquid asset a bank or building society can hold and are the ultimate means of settlement between banks and building societies.

The rate paid by the Bank on reserves account balances is also the means by which the Bank keeps market interest rates in line with Bank Rate. All reserves balances are remunerated at Bank Rate.

The repurchase agreements arise as part of the Bank’s open market operations, matching the Bank’s issued foreign currency securities.

12: Other deposits

	2024 (£mn)	2023 (£mn)
Deposit by Issue Department	85,512	84,261
Public deposits repayable on demand	7,510	4,347
Other deposits repayable on demand	16,465	18,329
	109,487	**106,937**

Public deposits are the balances on HM Government accounts, including Exchequer, NLF, Debt Management Office (DMO), National Debt Commissioners and dividend accounts.

Other deposits repayable on demand includes the BEAPFF cash deposit of £15.7bn (2023: £17.8bn) in note 27 'Related parties' and other customer deposits.

Accrued interest on other deposits repayable on demand is recognised within 'Short-term creditors and other liabilities' in note 32 'Other liabilities'.

Foreign exchange reserves

13: Securities held at fair value through profit or loss

	2024 (£mn)	2023 (£mn)
Money market instruments	1,773	422
Listed foreign government securities	4,976	4,771
	6,749	**5,193**

The holdings of foreign government securities are funded by the Bank's issuance of foreign currency commercial paper (note 14), foreign currency bonds (note 15) and fixed-term deposits held at fair value through profit and loss (FVPL) placed by other central banks (note 10). Designation at FVPL is to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

At 29 February 2024 money market instruments included cash and cash equivalents of £357mn (2023: £nil) which are disclosed in note 22 'Cash and cash equivalents'.

14: Foreign currency commercial paper in issue

In September 2021 the Bank announced the issuance of short-term securities to support balance sheet management practices of foreign exchange reserves.[30] The tenor of the Notes shall be not less than one day or more than 364 days from and including the date of issue to (but excluding) the maturity date.

	2024				2023			
	Fair value (£mn)	Nominal (US$mn)	Fair value (£mn)	Nominal (EUR €mn)	Fair value (£mn)	Nominal (US$mn)	Fair value (£mn)	Nominal (EUR €mn)
Total amounts issued to third parties	4,212	5,369	1,670	1,975	4,433	5,474	1,165	1,350

15: Foreign currency bonds in issue

	2024		2023	
	Fair value (£mn)	Nominal (US$mn)	Fair value (£mn)	Nominal (US$mn)
Total amounts issued to third parties	6,324	8,000	6,447	8,000

The Bank's foreign exchange reserves can be used by the Bank to intervene in the foreign exchange market in pursuit of its monetary policy objectives. This was set out in the Monetary Policy Framework[31] introduced by HM Government in 1997. Discussion of the Bank of England's foreign exchange reserves is included in the 2011 Q3 Quarterly Bulletin,[32] page 194.

At 29 February 2024, as part of the Bank's annual medium-term security issuance programme, the Bank had four US$2,000mn three-year dollar bonds in issue (2023: four US$2,000mn three-year dollar bonds); the first maturing on 8 March 2024, the second on 21 March 2025, the third on 6 March 2026, and the fourth on 5 March 2027.

30. www.bankofengland.co.uk/markets/market-notices/2021/september/foreign-currency-reserves-september-2021-market-notice.
31. www.bankofengland.co.uk/-/media/boe/files/letter/1997/chancellor-letter-060597.
32. www.bankofengland.co.uk/-/media/boe/files/quarterly-bulletin/2011/markets-and-operations-2011-q3.pdf.

The most recent bond (the 18th in the overall programme) was issued on 27 February 2024 with settlement on 5 March 2024. This bond matures on 5 March 2027. Refer to the Foreign Currency Reserves 2024 Market Notice[33] for further details of the issuance.

Of the above liabilities to third parties, £1,582mn (2023: £1,644mn) fall due within one year.

33. **www.bankofengland.co.uk/markets/market-notices/2024/february/foreign-currency-reserves-27-feb-2024**.

Section 4: Investments, capital management, funding and risk management

This section analyses the financial assets and liabilities held by the Bank to fund its activities.

The Bank is funded in a variety of ways which are described in more detail in the Financial Review section of the report (pages 46–58).

Under the CRD scheme, institutions placed non-interest bearing deposits at the Bank, as reported in note 18.

The Bank invested these deposits (mainly in gilts), as reported in note 16, and the income earned was used to fund the costs of its monetary policy and financial stability operations, which benefited sterling deposit-takers.

Under the Bank of England Act 1998, the percentage and threshold used in calculating the CRDs is set by HM Treasury, after considering the financial needs of the Bank and subject to approval of both Houses of Parliament. As of 1 March 2024 the CRD scheme has ceased and the Bank of England Levy has since been implemented as a funding mechanism. Further details are available in the Financial Review section of this report.

The PRA is funded through a levy, further details can be found in the PRA statements (pages 213–22).

Accounting policies

Debt securities

British Government securities and other sterling securities are held as investments and are one of the principal sources of income for the Bank. The Bank holds these securities for the long term, generally to maturity. All debt securities have fixed coupons.

See Section 3 for accounting policies on financial assets.

Indemnified operations

The Bank may enter into arrangements where it is fully protected, without charge, from loss by HM Treasury. Surpluses from such indemnified operations, after the deduction of fees, operating costs and tax, are treated as a capital contribution and taken directly to equity as distributable reserves.

BEAPFF's operations are fully indemnified for loss by HM Treasury and any surplus for these operations is due to HM Treasury.

16: Securities held at amortised cost

	2024 (£mn)	2023 (£mn)
British Government securities listed on UK exchange[1]	15,068	16,619
	15,068	**16,619**

(1) As at the end of 29 February 2024 the fair value of the securities held at amortised cost was £12,906mn (2023: £14,360mn).

	2024 (£mn)	2023 (£mn)
At 1 March	16,619	15,959
Purchases	–	2,226
Sales	(289)	–
Redemptions	(1,149)	(1,463)
Amortisation of premium/discount and movement in accrued interest	(91)	(103)
Loss on sale of securities	(22)	–
At 29 February	**15,068**	**16,619**

Securities held at amortised cost relates mainly to the Cash Ratio Deposit (CRD) scheme and the Bank's free capital and reserves. Under the CRD scheme, institutions place non-interest bearing deposits at the Bank of England, as reported in note 18. The Bank invests these deposits (mainly in gilts) and the income earned is used to fund the costs of its monetary policy and financial stability operations, which benefit sterling deposit-takers. This CRD scheme was replaced on 1 March 2024 by the Bank of England Levy. Further details are available in the Financial Review section of this report.

Items in the course of settlement for securities held at amortised cost at the year ended 29 February 2024 were £nil (2023: £nil). £289mn of securities were sold within the year (2023: £nil) at a loss of £22mn. The cash purchases for the year are £nil (2023: £2,226mn).

Income recognised in the year ended 29 February 2024 for the Bank's securities held at amortised cost was £191mn (2023: £213mn). In the current year this comprises interest income and purchase premium amortisation and realised losses on sales while prior year amount comprises interest income and purchase premium amortisation.

Accounting policies

Unlisted equity investments

The Bank holds unlisted equity investments as part of its functions as a central bank and are thus of a long-standing nature. The Bank's holdings in any particular institution may change from time to time as part of realignments of holdings among the shareholders and participants.

Fair values of unlisted equity investments reflect the price that a knowledgeable willing party would pay in an arm's length transaction.

The Bank's investment in the Bank for International Settlements (BIS) (incorporated in Switzerland) consists of shares of 5,000 Special Drawing Rights (SDR), which are 25% paid. At 29 February 2024 the holding represents 8.4% (2023: 8.4%) of the issued share capital.

The investment has been valued based on the adjusted net asset value basis providing a value of £1,528mn (2023: £1,495mn).

The fair value of the BIS shares is estimated to be 70% of the Bank's interest in the net asset value of the BIS at the reporting date. The 30% discount to net asset value is based on the discount rate used by the BIS for all share repurchases since the 1970s and was further endorsed by a decision by the International Court at the Hague relating to the last share repurchase conducted by the BIS (in 2001). The Bank's financial statements incorporates the most recently available data from the BIS. The Bank expects the value of the BIS shares to fluctuate over time in conjunction with the strength of the BIS balance sheet and exchange rates. If the value of the net assets of the BIS changed by 1%, the value of the investments would change by £15mn (2023: £15mn).

Since 1930 there has also been an amount in respect of uncalled capital on the Bank's investment in the BIS, now denominated in SDR. The sterling equivalent of this amount based on the SDR price at the balance sheet date was £188mn (2023: £197mn). The balance of £188mn is callable at three months' notice by a decision of the BIS Board of Directors. As this amount has not been called since being established in 1930, it is considered a remote possibility, and so is not considered or disclosed as a contingent liability, in line with IAS 37. Any foreign currency gains or losses are taken to the statement of other comprehensive income in the year when they have arisen.

17: Unlisted equity investments at fair value

	2024 (£mn)	2023 (£mn)
Unlisted equity investments at fair value	1,528	1,495
	1,528	**1,495**

	2024 (£mn)	2023 (£mn)
At 1 March	1,495	1,420
Revaluation of securities	99	(3)
Foreign currency (losses)/gains	(67)	78
Purchase of securities	1	–
At 29 February	**1,528**	**1,495**

18: Cash Ratio Deposits

	2024 (£mn)	2023 (£mn)
Cash Ratio Deposits	12,290	13,417
	12,290	**13,417**

Under the Cash Ratio Deposit (CRD) scheme, institutions placed non-interest bearing deposits at the Bank. The Bank invested these deposits (mainly in gilts) and the income earned was used to fund the costs of its monetary policy and financial stability operations, which benefited sterling deposit-takers.

On 1 March 2024, the Bank Levy replaced the CRD scheme as the means of funding the costs of the Bank’s monetary policy and financial stability operations. CRDs were repaid to the participating institutions following the closure of the scheme. Further details are available in the Financial Review section of the report.

19: Capital and retained earnings

	2024 (£mn)	2023 (£mn)
Capital	15	15
Capital reserve and other reserves	1,219	1,209
Retained earnings	2,902	2,940
	4,136	**4,164**

The entire capital comprising £14,553,000 of Bank Stock is held by the Treasury Solicitor on behalf of HM Treasury. The Bank uses these funds to support its normal operations. The agreed capital framework between the Bank and HM Treasury states that Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters.[34]

20: Derivative financial instruments

Accounting policies

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques such as discounted cash-flow models. Generally the best evidence of the fair value of a derivative at initial recognition is the transaction price (ie the fair value of the consideration given or received). All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are used for matching exposures on assets and liabilities, both individually and of portfolios. The Bank does not apply the hedge accounting rules of IFRS 9.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a current and legally enforceable right to offset the amounts recognised and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

34. For more details on these, see **www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/financial-relationship-between-hmt-and-the-boe-memorandum-of-understanding.pdf**.

The Bank mainly uses derivatives to manage the currency and interest rate exposures on its portfolio of financial assets and financial liabilities. They may also be used as an instrument in monetary policy transactions.

Cross-currency interest rate swaps, interest rate swaps and forward exchange contracts are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or coupons (eg fixed rate for floating rate) or a combination of these. An exchange of principal occurs for cross-currency interest rate swaps and forward exchange contracts. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. The risk is monitored on an ongoing basis with reference to the current fair value. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities and will take collateral, either securities or cash, if the net replacement cost of all transactions with the counterparty exceeds relevant thresholds.

The notional amounts of derivative financial instruments provide a basis for comparison with other instruments recognised in the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Bank's exposure to credit or price risks. The derivative instruments move into profit (in which case they are treated as assets) or loss (in which case they are treated as liabilities) as a result of fluctuations in market prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments outstanding, the extent to which instruments have moved into profit or not, and thus the aggregate fair values of derivative financial instruments, can fluctuate significantly over time. The fair values of derivative instruments are set out below.

a: As at 29 February 2024

	Contract notional amount (£mn)	Fair values Assets (£mn)	Fair values Liabilities (£mn)
Cross-currency interest rate swaps	3,461	470	(9)
Interest rate swap[1]	2,863	1	–
Forward exchange contracts	10,905	104	(28)
Total recognised derivative assets/(liabilities)		**575**	**(37)**

(1) As at 29 February 2024, the fair values of interest rate swaps assets and liabilities were £815,531 and £476,853 respectively.

b: As at 28 February 2023

	Contract notional amount (£mn)	Fair values Assets (£mn)	Fair values Liabilities (£mn)
Cross-currency interest rate swaps	4,909	341	(63)
Interest rate swaps	2,642	1	(6)
Forward exchange contracts	11,484	151	(114)
Total recognised derivative assets/(liabilities)		**493**	**(183)**

The net movement on derivatives in the year is £228mn from a net asset position of £310mn as at 28 February 2023 to £538mn as at 29 February 2024 (2023: movement of £53mn from a net asset position of £257mn as at 28 February 2022 to a net asset position of £310mn as at 28 February 2023).

21: Financial risk management

The Bank is required to manage the financial risks that arise on its balance sheet and as a consequence of its operations to deliver its policy objectives. These include credit risk, market risk and liquidity risk.

The Bank's management seeks to ensure that effective risk management processes exist for assessing, managing and monitoring risk, within clear risk policies. There are governance arrangements set out in a Balance Sheet Remit and financial risk standards (approved by the Executive Risk Committee) and documented delegated authorities for implementation of financial risk management and oversight of the Bank's operations. The financial risk standards also set out how the Bank's financial risk tolerance is translated into practice through a cross-balance sheet set of limits and monitoring thresholds, which delineate the Bank's usual risk levels. These are review points beyond which an active decision is required that the extra risk is justified by the expected policy benefits.

The Bank applies fundamentally the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances.

Specialist teams and committees support senior management in ensuring that agreed standards and policies are followed:

- The Financial Risk Management Division (FRMD) within the Bank's Markets Directorate is responsible for analysing the financial risks faced by the Bank in its operations in financial markets, and exercising control on financial risks as they are taken through those operations.

- The Financial Risk and Resilience Division (FRRD) is responsible for providing forward-looking assessment and challenge of financial risks to the Bank's balance sheet across all its financial operations, and for setting the framework within which financial risk is taken.

- Middle Office is responsible for the pricing, valuation and financial control of exposures and collateral positions arising from the Bank's market operations, including counterparty and instrument management.

The Bank makes extensive use of stress tests to assess financial risk across its balance sheet. These stress tests are designed by FRRD to test the Bank's ability to withstand severe but plausible scenarios, and cover credit, market and liquidity risks.

Key risk features captured by the stress tests include (but may not be limited to):

- potential expansion of the Bank's balance sheet in a stress eg through additional liquidity provision;

- rating migration and potential default of counterparties; and

- shocks on asset prices, both where the Bank has positions on its balance sheet, and where these assets are held as collateral.

The stress tests applied to the Bank's own balance sheet are calibrated such that they are suitably severe – at least as severe as the Financial Policy Committee's and Prudential Regulation Committee's annual concurrent banking stress test, given the Bank's role as lender of last resort. For credit risk, the Bank uses a stressed Exposure at Default (EAD) metric to measure the potential financial loss that could be incurred in the event of counterparty default, net of collateral held, where that collateral is also stressed. The same exposure measurement methodology is used for IFRS 9 expected credit loss assessment, but calibrated for a range of different economic scenarios. For market risk, the Bank uses a stressed loss metric to measure the potential mark-to-market losses from shocks to asset prices.

The stress tests used by the Bank are reviewed periodically by internal committees, to continue to capture key risk drivers of the balance sheet and current market conditions, as well as potential future risks that could arise due to changing economic outlooks.

This forward-looking view is embedded in the financial framework agreed between HM Treasury and the Bank in June 2018 and codified into a Memorandum of Understanding (MoU).[35] Its objective is to ensure that the Bank has the financial resources needed to undertake the financial operations necessary to deliver its objectives even under severe but plausible scenarios. The MoU sets out the principles underpinning which types of operations would be backed by the Bank's own capital, and the types of operations for which the Bank may request an indemnity from HM Treasury:

Principle 1 – Purpose of Bank capital: operations that lie within the Bank's objectives of maintaining monetary and financial stability should be backed by its own capital, unless those operations bear a level of risk beyond the tolerance approved by Governors and Court.

Principle 2 – Nature of operations backed by capital: consistent with Principle 1 above, the following types of operations should be backed by capital:

- secured lending in line with the Bank's published frameworks, including against eligible collateral; and

- asset purchase operations to support conventional monetary policy implementation, the Bank's official customer business or the funding of the Bank.

35. www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/financial-relationship-between-hmt-and-the-boe-memorandum-of-understanding.pdf.

Principle 3 – Size of operations backed by capital: the actual level of the Bank's loss-absorbing capital at any point in time should allow it to continue to undertake the operations under Principle 2, both in normal market and liquidity conditions and under a set of severe but plausible scenarios, without falling below the capital floor. These scenarios are approved by Governors and Court.

Principle 4 – Other operations: The financial backing for other operations, including those covered under the 'Memorandum of Understanding on resolution planning and financial crisis management', unconventional monetary policy asset purchases and Market Maker of Last Resort operations should be assessed on a case-by-case basis. The presumption is that such operations would only be backed by the Bank's capital where the resultant exposures do not exceed the Bank's loss-absorbing capital, when (i) evaluated according to the set of severe but plausible scenarios agreed by Governors and Court and (ii) added to the Bank's existing commitments described in Principles 1–3.

a: Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. The Bank is exposed to credit risk both through direct exposures and contingent exposures. Credit exposure can arise from (i) operations implementing monetary or financial stability policy, (ii) the management of the Bank's balance sheet, or (iii) contingently as part of an insurance contract. Insurance contracts can be used to mitigate exposures arising in several areas, including but not necessarily restricted to buildings, motor vehicles and other property of the Bank, as well as contingent exposures related to banknote issuance and circulation activities.

The primary source of credit risk arises as a result of the Bank providing liquidity to financial institutions via the Term Funding scheme with additional incentives for SMEs, and Sterling Monetary Framework; intraday in the Bank's provision of liquidity to facilitate the operation of the sterling high-value payment system (CHAPS) and the securities settlement system, CREST; and elsewhere in the Bank's management of its balance sheet, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers. In addition, the Bank incurs credit risk in connection with any support operations it may undertake.

Credit exposures (measured using a stressed EAD metric) are controlled by a system of limits and monitoring thresholds based on internal credit ratings, which apply to all credit exposures across the balance sheet. Limits and monitoring thresholds exist to control the maximum credit exposures to a single counterparty group, as well as aggregate exposure to individual countries.

Credit assessments are performed on all market counterparties, issuers and customers to which the Bank may be exposed. These are performed both regularly, following a timetable that reflects the risk of the actual or potential exposure, and dynamically, in response to market or specific entity conditions.

Internal committees, chaired by the Head of FRMD, review the creditworthiness of issuers, counterparties and customers to whom the Bank may have credit exposures. These committees are supported by a credit risk analysis team. Counterparty ratings are recommended by the Head of FRMD with the Head of FRRD given an opportunity to challenge the rating recommendations. The final ratings are then sent to Middle Office for implementation.

Credit risk on the securities held outright by the Bank is managed by holding only securities internally rated as equivalent to investment-grade in routine circumstances, which are issued chiefly by governments, government agencies and supranational organisations; and by a schedule of credit limits that vary based on internal rating.

Collateral management

In providing short-term liquidity via the Bank's Sterling Monetary Framework operations and, intraday, via the Bank's operation of wholesale payment systems, credit risk is mitigated by ensuring that exposures are fully collateralised (with appropriate haircuts) by securities, which are issued chiefly by governments, government agencies and supranational organisations, which meet the Bank's minimum standards of liquidity and credit risk. The new Short-Term Repo facility, which became operational in October 2022, is collateralised by the same highly liquid securities.

In the Bank's Indexed Long-Term Repo Operations, Discount Window Facility, Contingent Term Repo Facility and Term Funding scheme with additional incentives for SMEs, the Bank accepts a wide range of private sector collateral. The collateral can include mortgage-backed securities, covered bonds backed by mortgages or public sector securities, other asset-backed securities (such as those backed by credit card receivables, student loans or auto loans), or portfolios of loans in unsecuritised form. The collateral must meet published eligibility criteria.

A summary of eligible collateral, including which collateral is eligible for which facility, can be found on the Bank's website.

The Bank manages the risk in this wider collateral portfolio by applying haircuts to take account of market risk, liquidity risk, credit risk, and all other material risks to the realisable value of the collateral. The usual level of protection targeted through haircuts is at least a 99% level of confidence that, in the event of a counterparty default, the value of the collateral will be sufficient to cover the outstanding amount owed to the Bank, even in stressed scenarios. The Bank may vary haircuts at its discretion, including on individual securities.

The Bank values securities daily and calls for additional collateral where the haircut-adjusted value is less than the value of its exposure. Where possible the Bank uses a market price to value securities; where a market price is not available the Bank uses a model to approximate a market value. The pricing methodologies and the models are under regular review, including via a Valuation Review Committee, chaired by the Head of Middle Office.

A Collateral Risk Committee, chaired by the Head of FRMD, reviews issues relating to the full range of collateral and considers policy issues relating to stress testing, valuation and eligibility of collateral including in response to market or entity-specific conditions. It also reviews eligibility of a counterparty to pledge portfolios of loans as collateral, based on an assessment of the firm's risk management policies, and also reviews eligibility of individual portfolios.

Models used for pricing and for calculating haircuts are independently reviewed and validated by FRRD.

Geographical concentration of assets and liabilities

The Bank undertakes its operations in the United Kingdom. It does, however, accept deposits from overseas central banks. An analysis of the Bank's assets and liabilities by geographical area, based upon the location of the counterparty, is given below:

	2024 (£mn)	2023 (£mn)
Assets		
United Kingdom	925,991	1,052,623
Rest of Europe	9,571	13,073
Rest of the world	7,723	8,240
Total assets	**943,285**	**1,073,936**

	2024 (£mn)	2023 (£mn)
Liabilities and equity		
United Kingdom	926,496	1,050,769
Rest of Europe	3,950	8,207
Rest of the world	12,839	14,960
Total liabilities and equity	**943,285**	**1,073,936**

b: Market risk

Market risk is defined as the risk of losses arising from movements in market prices. The risks which give rise to market risk include, but are not limited to, interest rate risk and foreign exchange risk. The Bank is exposed to market risk as a consequence of its operations to deliver its policy objectives and, in the course of managing the Bank's balance sheet, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred due to changes in exchange rates and to changes in the liquidity of asset markets.

Market risk on the Bank's balance sheet is controlled by a system of limits and monitoring thresholds based on stress testing. Limits and monitoring thresholds control the maximum mark-to-market loss that the Bank would sustain under severe scenarios. The scenarios capture the key market risks that the Bank is exposed to: interest rate risks (including basis risks) and foreign exchange risk.

Interest rate risk

The Bank is exposed to sterling interest rate risk through the investment of the Bank's capital and Cash Ratio Deposits in high-quality securities in the sterling bond portfolio. These are bought and, in normal circumstances, held to maturity with the intention of maintaining the value of the Bank's capital and generating income to pay for the Bank's policy functions. The Bank monitors the market risk on the Sterling Bond Portfolio, via stress testing.

The Bank has a small exposure to foreign currency interest rate risk through its foreign currency operations.

Foreign exchange risk

The majority of the foreign currency exposures are hedged for interest rate risk and FX risk to match the Bank's FX liabilities, mainly through the use of foreign exchange contracts, interest rate and cross-currency swaps. The Bank has no significant net foreign currency exposures.

c: Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

For sterling, liquidity risk does not arise as the Bank is able to create sterling liquidity through its market operations.

For foreign currency, in addition to holding appropriate cash balances, the Bank manages liquidity through cash-flow matching and the use of forward exchange contracts and currency swaps; the Bank also holds a portfolio of liquid foreign exchange reserves.

The Bank's Balance Sheet Remit, Financial Risk Standards and supporting policies specify parameters to control exposure to foreign currency liquidity risk. These include limits on cash flow and maturity mismatches, and for bond holdings, minimum issue size and concentration limits.

The following tables analyse the Bank's foreign currency financial assets and liabilities at the balance sheet dates into relevant maturity groupings based on the remaining period to the contractual maturity date. These cash flows have not been discounted.

Foreign currency liquidity risk

	Up to 1 month (£mn)	1–3 months (£mn)	3–12 months (£mn)	1–5 years (£mn)	Over 5 years (£mn)	Total (£mn)
As at 29 February 2024						
Assets						
Cash and balances with other central banks	1,116	–	–	–	–	1,116
Loans and advances to banks and other financial institutions	4,351	3,965	3,457	–	–	11,773
Securities held at fair value through profit and loss	812	1,014	1,061	4,233	–	7,120
Derivative financial instruments:						
Cash inflow	2,177	1,793	1,727	778	–	6,475
Cash outflow	(2,149)	(1,776)	(1,708)	(780)	–	(6,413)
Other assets	–	–	–	–	–	–
Total assets	**6,307**	**4,996**	**4,537**	**4,231**	**–**	**20,071**
Liabilities						
Deposits from central banks	2,072	2,491	3,143	–	–	7,706
Deposits from banks and other financial institutions	–	331	–	–	–	331
Other deposits	129	–	–	–	–	129
Foreign currency commercial paper in issue	2,528	1,841	1,565	–	–	5,934
Foreign currency bonds in issue	1,581	–	–	4,743	–	6,324
Derivative financial instruments:						
Cash inflow	(3,979)	(1,196)	(1,387)	(2,020)	–	(8,582)
Cash outflow	3,754	1,314	1,439	1,690	–	8,197
Other liabilities	–	–	–	–	–	–
Total liabilities	**6,085**	**4,781**	**4,760**	**4,413**	**–**	**20,039**
Net liquidity gap	**222**	**215**	**(223)**	**(182)**	**–**	**32**
Cumulative gap	**222**	**437**	**214**	**32**	**32**	**–**

Foreign currency liquidity risk

	Up to 1 month (£mn)	1–3 months (£mn)	3–12 months (£mn)	1–5 years (£mn)	Over 5 years (£mn)	Total (£mn)
As at 28 February 2023						
Assets						
Cash and balances with other central banks	6,405	–	–	–	–	6,405
Loans and advances to banks and other financial institutions	2,318	3,933	3,286	–	–	9,537
Securities held at fair value through profit and loss	418	270	600	4,235	–	5,523
Derivative financial instruments:						
Cash inflow	2,344	4,716	1,026	1,193	–	9,279
Cash outflow	(2,333)	(4,682)	(971)	(1,101)	–	(9,087)
Other assets	–	–	–	–	–	–
Total assets	**9,152**	**4,237**	**3,941**	**4,327**	**–**	**21,657**
Liabilities						
Deposits from central banks	1,946	5,876	456	–	–	8,278
Deposits from banks and other financial institutions	–	–	–	–	–	–
Other deposits	145	–	–	–	–	145
Foreign currency commercial paper in issue	1,395	1,473	2,835	–	–	5,703
Foreign currency bonds in issue	–	1,652	–	4,955	–	6,607
Derivative financial instruments:						
Cash inflow	(1,458)	(3,681)	(273)	(1,616)	–	(7,028)
Cash outflow	1,874	4,408	248	1,306	–	7,836
Other liabilities	–	–	–	–	–	–
Total liabilities	**3,902**	**9,728**	**3,266**	**4,645**	**–**	**21,541**
Net liquidity gap	**5,250**	**(5,491)**	**675**	**(318)**	**–**	**116**
Cumulative gap	**5,250**	**(241)**	**434**	**116**	**116**	**–**

d: Fair value of financial assets and liabilities

The table below shows the financial instruments carried at fair value by valuation method:

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
As at 29 February 2024					
Assets					
Loans and advances to banks and other financial institutions	8	–	11,688	–	11,688
Securities held at fair value through profit or loss	13	6,259	490	–	6,749
Derivative financial instruments	20	–	575	–	575
Unlisted equity investments at fair value	17	–	–	1,528	1,528
Total assets		**6,259**	**12,753**	**1,528**	**20,540**
Liabilities					
Deposits from central banks	10	–	8,024	–	8,024
Deposits from banks and other financial institutions	11	–	326	–	326
Foreign currency commercial paper in issue	14	–	5,882	–	5,882
Foreign currency bonds in issue	15	6,324	–	–	6,324
Derivative financial instruments	20	–	37	–	37
Total liabilities		**6,324**	**14,269**	**–**	**20,593**

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
As at 28 February 2023					
Assets					
Loans and advances to banks and other financial institutions	8	–	9,431	–	9,431
Securities held at fair value through profit or loss	13	5,089	104	–	5,193
Derivative financial instruments	20	–	493	–	493
Unlisted equity investments at fair value	17	–	–	1,495	1,495
Total assets		**5,089**	**10,028**	**1,495**	**16,612**
Liabilities					
Deposits from central banks	10	–	13,532	–	13,532
Deposits from banks and other financial institutions	11	–	–	–	–
Foreign currency commercial paper in issue	14	–	5,598	–	5,598
Foreign currency bonds in issue	15	4,803	1,644	–	6,447
Derivative financial instruments	20	–	183	–	183
Total liabilities		**4,803**	**20,957**	**–**	**25,760**

There have been no transfers between levels in the year.

Fair value measurements are categorised into a three-level hierarchy based on the observability and significance of the inputs used in the valuation technique.

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques that rely upon relevant observable market data. This category of instruments comprised derivatives, repurchase transactions, commercial paper and deposits.

Level 3: Valued using techniques where at least one input that could have a significant impact on the valuation is not based on observable market data. During the year this category consisted entirely of unlisted equity investments, primarily the Bank's investment in the Bank for International Settlements (note 17).

The fair values of financial liabilities classified as deposits at amortised cost approximate to their carrying values due to their short-term nature. All these financial liabilities would be classified as Level 2.

22: Cash and cash equivalents

Analysis of cash balances

	Note	At 1 March 2023 (£mn)	Cash flows (£mn)	At 29 February 2024 (£mn)
Cash and balances with other central banks	7	6,406	(5,290)	1,116
Loans and advances to banks and other financial institutions	8	4,738	343	5,081
Securities held at fair value through profit and loss	13	–	357	357
		11,144	**(4,590)**	**6,554**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity less than or equal to 92 days from the date of acquisition, consisting of cash and balances with other central banks, loans and advances to banks and other financial institutions, amounts due from banks and short-term government securities.

23: Contingent liabilities and commitments

Accounting policies

Contingent liabilities

Contingent liabilities and commitments, some of which are offset by corresponding obligations of third parties, may arise in the normal course of business, including contingent liabilities in respect of guarantees and indemnities in connection with liquidity support operations. As part of its normal business, the Bank acts as custodian of its customers' assets and fulfils an agency role. The Bank has no liability to recognise or contingent liability to disclose in accordance with the requirements of IAS 37 in respect of these transactions.

Capital commitments

Capital commitments outstanding at 29 February 2024 amounted to £10mn (2023: £26mn), relating primarily to the provision of service agreements.

Contingent capital commitments outstanding at 29 February 2024 amounted to £0.2mn (2023: £0.3mn), relating primarily to a central bank sterling account.

Guarantees

The Bank has provided a guarantee for the principal value of deposits placed by participating banks with BEALF. As at 29 February 2024 deposits with a value of £200mn were guaranteed (2023: £140mn).

24: Investments in subsidiaries

The Bank has a number of subsidiaries, which are wholly owned and incorporated in the United Kingdom, that are stated in the Bank's balance sheet at an aggregate cost under £1mn. These are:

- The Securities Management Trust Ltd 1,000 ordinary shares of £1, principal activity is that of a nominee company.

- Bank of England Asset Purchase Facility Fund Ltd 100 ordinary shares of £1, principal activity is to fulfil the remit given to the Bank by the Chancellor of the Exchequer and for monetary policy.

- Bank of England Alternative Liquidity Facility Ltd 100 ordinary shares of £1, principal activity is to offer a non-interest based deposit facility backed by the central bank to commercial banks that cannot pay or receive interest.

- BE Pension Fund Trustees Ltd two ordinary shares of £1, principal activity is that of provision of trustee services to the Bank of England Pension Fund.

The registered office for all subsidiaries is 8 Lothbury, London, EC2R 7HH.

Section 5: People and related parties

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other related parties.

25: Staff costs

Accounting policies

Short-term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered to the Bank. The Bank recognises the amount of short-term employee benefits expected to be paid as expenses or as a liability (accrued expense), after deducting any amount already paid.

	2024 (£mn)	2023 (£mn)
Wages and salaries	395	346
Social security costs	47	43
Pension and other post-retirement costs	32	101
Costs of restructuring	–	1
	474	**491**

Average number of employees

The average number of persons employed by the Bank during the year was made up as follows:

	2024	2023
Governors and other members of Executive Team	27	27
Managers and analysts	4,167	3,794
Other staff	1,198	1,150
	5,392	**4,971**

The number of persons employed by the Bank at the end of February 2024 was 5,627 of which 4,877 were full-time and 750 part-time (2023: 5,239; with 4,529 full-time and 710 part-time). These staff numbers relate to the costs disclosed in this note.

26: Retirement benefits

i: Funded pension scheme

The Bank operates a non-contributory defined-benefit pension scheme providing benefits based on career average pensionable pay. The Bank has a final salary section within the pension scheme that provides pensions based on members' pensionable service and final salary at retirement. The pension is payable for life and increases in payment in line with inflation. This section of the scheme ceased to accrue benefits on a final salary basis from 1 April 2015. Former members of this section can continue to accrue benefits in the career average revalued earnings (CARE) section.

For new employees, the Bank offers a CARE section of the pension scheme that provides pensions based on members' earnings each year revalued in line with inflation up to retirement. The pension is payable for life and increases in payment in line with inflation.

Defined-benefit and career average

The assets of the scheme are held by the Bank in an independent trustee-administered fund. The Bank also provides other post-retirement benefits, principally healthcare, for certain pensioners.

The pension scheme is an HM Revenue and Customs (HMRC) registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has appointed trustees who are independent of the Bank. Although the Bank bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustees, who have a duty to act in the best interest of members at all times.

Valuation for funding purposes

The main pension scheme, the Bank of England Pension Fund, is valued for funding purposes at intervals of not more than three years by an independent qualified actuary, with interim reviews in the intervening years. The latest valuation for funding purposes was as at 28 February 2023; it used the Defined Accrued Benefit Method but with an adjustment to help smooth the annual contributions over the subsequent three years. Under the Defined Accrued Benefit Method, active members are assumed to leave the Fund on the date of the valuation and hence the past service liability does not include an allowance for any salary increases or in-service CARE revaluation after that date. Instead members' benefits are assumed to increase in line with the deferred pension revaluation assumptions. However, the Fund's Trustees and the Bank agreed an adjustment to the past service liabilities to allow for three years' of future in-service increases in the liabilities, which means that the cost of uplifting past service liabilities with actual in-service increases is not part of the annual contribution rate.

	£mn
The valuation as at 28 February 2023	
Value of Fund assets	3,364
Actuarial value of scheme liabilities in respect of:	
In-service members	(716)
Deferred pensioners	(564)
Current pensioners and dependants	(1,681)
GMP equalisation reserve	(9)
RPI consultation reserve	–
Members' additional voluntary contributions	(1)
Total	**(2,971)**
Scheme surplus	**393**
Funding level	**113%**
Service contribution rate for March[(1)]	**26.20%**

(1) In accordance with the agreement between the Trustees and the Bank, the March 2024 contribution (the first contribution under the 2023 valuation agreement) was adjusted from 26.2% to 22.4% to allow for market conditions at 29 February 2024, and then reduced to allow for the level of surplus in the Fund. The actual contribution paid in March 2024 was £22mn.

For the 2023 valuation, the liabilities were valued by the actuary using a discount rate based on the RPI assumption plus the index-linked gilt yield curve plus 0.3% per annum, which is a prudent assessment of the returns expected to be achieved by the Fund's investment strategy. Allowance was made for past and prospective mortality improvements. The rate of RPI inflation used in the valuation is based on the Bank's long term CPI assumption of 2.0% per annum plus an allowance for the assumed difference between CPI and RPI (1.0% per annum pre-2030 and 0.0% per annum post-2030).

As the scheme was in surplus as at the valuation date, no deficit reduction contributions are currently required to be paid into the scheme. Expected future contributions are only in respect of meeting the cost of future benefit accrual.

Excluded from the contribution rate is the cost of administration and other services which is met by the Bank.

Summary of amounts recognised in the financial statements under IAS 19

In the statutory financial statements the Bank accounts for pension costs, other post-retirement benefits and related redundancy provisions in accordance with IAS 19 (Employee Benefits). Under the standard, the difference between the market values of scheme assets and the present value of scheme liabilities is reported as a surplus or deficit in the balance sheet. The accounting value is different from the result obtained using the funding basis.

The accounts show a significantly greater surplus than the surplus in the scheme funding valuation. The main reason for this is the different assumptions used to value the liabilities in the accounting and funding valuations for the main scheme.

The scheme funding valuation assumptions are used to determine the contributions that the Bank is required to pay into the scheme to ensure that the scheme has sufficient assets to pay all the benefits due in future. Regulations require that the scheme funding assumptions are set conservatively and take account of the scheme's investment strategy. As the scheme's assets are invested primarily in gilts, bonds and other liability-matching assets, the discount rate used to value the liabilities is set based on gilt yields plus a small outperformance allowance of 0.3% per annum.

In addition, the mortality assumption is set based on prudent principles (ie assuming members have long life expectancies). These assumptions place a relatively high value on the scheme's liabilities.

By contrast, accounting regulations require all companies to value their pension scheme liabilities on 'best estimate' assumptions, and to use a discount rate that is based on high-quality corporate bond yields. As corporate bond yields are generally higher than gilt yields, this approach places a lower value on pension scheme liabilities. The use of a best estimate mortality assumption for accounting purposes also reduces the value placed on the liabilities compared to the prudent scheme funding valuation.

ii: Redundancy provisions

As part of redundancy arrangements with staff in place until 5 April 2010, the Bank could give enhanced pension entitlement in the form of added years' service or early pension rights. The costs of such benefits cannot be charged to the Pension Fund. The costs are therefore borne in the Bank's accounts, and represent the future cost of decisions that have already been taken. Provision was made for the costs of these benefits at the time the redundancy offer was announced based on actuarial advice. No further similar entitlements will be given by the Bank.

The valuation of these provisions has been performed using the relevant assumptions applied for the IAS 19 valuation of pension schemes and updated annually.

iii: Other pension schemes

Previously, for Governors subject to the pensions earnings cap introduced in the Finance Act 1989, the Bank offered additional unfunded pensions so that their total pensions broadly match what would have been provided by the former Court Pension Scheme in the absence of a cap. Provision is made for these in the Bank's accounts. In addition certain former Governors and Directors and the widows of some former Governors and Directors were granted ex-gratia pensions. Provision for these was made in the Bank's accounts when the grants were made.

The valuation of these schemes has been performed by using the relevant assumptions applied for the IAS 19 valuation of pension schemes and updated annually.

iv: Medical scheme

Some current and former staff are entitled to receive healthcare benefits in retirement. Separate provision is made for these in the Bank's accounts as these cannot be paid out of the pension scheme. The defined-benefit liability is the expected cost to the Bank of the claims expected to be incurred by the eligible members once in retirement.

Accounting policies

In the preparation of their valuations under IAS 19 referred to in this note, the actuary has used the assumptions indicated below, which members of Court have accepted for the purposes of accounting and disclosure under the standard.

Recognition of scheme assets

The assets of the scheme are held by the Bank in an independent trustee-administered fund. The asset recognised in the balance sheet in respect of the defined-benefit pension scheme is the fair value of the scheme's assets less the present value of the defined-benefit obligation at the balance sheet date.

Recognition of scheme liabilities

The defined-benefit obligation is calculated annually by an independent actuary using the projected unit method. The present value of the defined-benefit obligation is determined by discounting the estimated cash outflows using a discount rate based on high-quality sterling corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Recognition of remeasurements

Remeasurements on retirement benefits comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what actually occurred), as well as the effects of changes in actuarial assumptions. Remeasurements on retirement benefits are recognised immediately in equity and reflected in other comprehensive income. Current and past service costs are recognised immediately in the income statement. Any net defined-benefit surplus is limited to the benefit that is available to the Bank.

The Bank also provides other post-retirement benefits, principally related to redundancy provisions and healthcare for certain pensioners, which are accounted for on a similar basis to the accounting for pension obligations.

Recognition of the net pension surplus

The Bank has recognised the net surplus in full on the balance sheet as it can realise any surplus on the winding up of the scheme after all other benefits have been paid in full in accordance with the Fund's rules. The Trustee does not have any unilateral powers which would prevent this and the rules can only be amended by agreement between the Bank and the Trustee.

Amounts recognised as assets/(liabilities) in the balance sheet

	Note	2024 (£mn)	2023 (£mn)
Funded pension schemes	(i)	771	719
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	(48)	(50)
Other pension schemes	(iii)	(7)	(7)
Medical scheme	(iv)	(74)	(76)
Unfunded post-retirement benefits		**(129)**	**(133)**
		642	**586**

Pension expense recognised in the income statement

	Note	2024 (£mn)	2023 (£mn)
Funded pension schemes	(i)	22	94
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	2	1
Other pension schemes	(iii)	–	–
Medical scheme	(iv)	3	3
		27	**98**

Remeasurements recognised in the statement of comprehensive income

	Note	2024 (£mn)	2023 (£mn)
Funded pension schemes	(i)	(82)	(603)
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	–	10
Other pension schemes	(iii)	–	1
Medical scheme	(iv)	–	67
		(82)	**(525)**

Risks

The main risks to which the Bank is exposed in relation to the funded pension scheme are:

- Mortality risk – the assumptions adopted by the Bank make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Fund and consequently increases in the scheme's liabilities. The Bank and the Trustee review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption;

- Investment risk – the Fund invests the majority of its assets in a portfolio of UK Government bonds as the changes in the value of the bonds more closely match the movements in the Fund's liabilities. There are risks with the selected portfolios such that it does not match the liabilities closely enough, or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimise these risks; and

- Inflation risk – the majority of the scheme's liabilities increase in line with inflation; and so if inflation is greater than expected, the liabilities will increase. The scheme's investment strategy contains RPI and CPI linked liabilities and the Fund is hedged with RPI-linked assets, so this risk is mostly mitigated.

The redundancy provision and other pension schemes are primarily exposed to the mortality and inflation risks above. As they are not backed by any assets, these risks cannot be so easily managed. However, these arrangements (and therefore the risks associated with them) are small in comparison to the funded pension scheme.

The two main risks to which the Bank is exposed in relation to the medical scheme are mortality risk, as described above, and increases in the costs incurred being greater than assumed, either due to inflation of future medical costs or the frequency of members' claims.

Components of pension expense in the income statement

	2024			2023		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Current service cost	56	–	–	114	–	1
Past service cost	–	–	–	–	–	–
Net interest (income)/expense on the net defined liability/asset	(34)	2	3	(20)	1	2
Total pension expense	**22**	**2**	**3**	**94**	**1**	**3**

Remeasurements recognised in other comprehensive income

	2024			2023		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Remeasurements recognised at the beginning of the period	(130)	(21)	35	473	(32)	(32)
Actuarial gains arising from changes in demographic assumptions	17	1	1	5	1	33
Actuarial gains arising from changes in financial assumptions	95	1	–	1,568	18	34
Actuarial losses arising from experience on the scheme's liabilities	(36)	(2)	(1)	(356)	(8)	–
Losses on scheme's assets excluding interest income	(158)	–	–	(1,820)	–	–
Remeasurements recognised at the end of the period	**(212)**	**(21)**	**35**	**(130)**	**(21)**	**35**

Reconciliation of present value of defined-benefit obligation

	2024			2023		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Present value of defined-benefit obligation at the beginning of the period	2,645	57	76	3,814	70	146
Current service cost	56	–	–	114	–	1
Past service cost	–	–	–	–	–	–
Interest expense	111	2	4	58	1	2
Actuarial gains arising from changes in demographic assumptions	(17)	(1)	(1)	(5)	(1)	(33)
Actuarial gains arising from changes in financial assumptions	(95)	(1)	(1)	(1,568)	(18)	(34)
Actuarial losses arising from experience on the scheme's liabilities	36	2	1	356	8	–
Benefits paid out	(128)	(4)	(5)	(124)	(3)	(6)
Present value of defined obligation at the end of the period	**2,608**	**55**	**74**	**2,645**	**57**	**76**

During the reporting period there have been no plan amendments, curtailments or settlements.

Reconciliation of the fair value of assets

	2024			2023		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Fair value of scheme's assets at the beginning of the period	3,364	–	–	5,093	–	–
Interest income	146	–	–	78	–	–
(Losses)/return on scheme's assets excluding interest income	(158)	–	–	(1,820)	–	–
Bank contributions	155	4	5	137	3	6
Benefits paid out	(128)	(4)	(5)	(124)	(3)	(6)
Fair value of scheme's assets at the end of the period	**3,379**	**–**	**–**	**3,364**	**–**	**–**

Summary of significant assumptions

Under IAS 19 measurement of scheme liabilities must be calculated under the projected unit method, which requires certain demographic and financial assumptions, including an assumption about future salary growth. The assumptions used are applied for the purposes of IAS 19 only.

The significant financial and other assumptions used by the independent actuary to calculate scheme liabilities over the life of the scheme on an IAS 19 basis were:

	2024 (%)	2023 (%)
Discount rate	4.3	4.2
CPI inflation	2.0	2.0
Rate of increase in salaries	3.0	3.0
Rate of increase of pensions in payment(1)	2.2	2.2
Rate of increase for deferred pensioners(1)	2.4	2.3

(1) This represents a weighted average of RPI and CPI, which are the indices used in the scheme.

Key points

- The discount rate assumption reflects the investment return on a high-quality corporate bond at the balance sheet date, as required by the standard.

- Future CPI assumption is assumed to be 2.0% per annum, in line with the Bank's long-term target.

- RPI inflation assumption is assumed to be 1.0% per annum higher than CPI inflation before 2030 and in line with RPI inflation from 2030 onwards. The same assumption was also used for the 2023 disclosures.

- The assumption on salary growth is for the long term over the life of the scheme.

- An age-related promotional scale has been applied in addition to the salary increase assumption above.

- The assumption for life expectancy for the scheme assumes that a male member reaching 60 in 2024 will live for 27.1 years (2023: 27.3 years) and a female member 28.9 years (2023: 29.6 years), and a male member reaching 60 in 2042 will live for 29.1 years (2023: 29.3 years) and a female member 30.4 years (2023: 31.0 years).

- The Bank has adopted the latest available mortality projections model, which reduces the scheme's liabilities as a result of recent improvements in mortality being slightly lower than previously assumed.

- As per the 2023 disclosures, allowance has been made for the impact of Covid-19 on life expectancies taking account of the impact of the pandemic and the characteristics of the scheme's membership. This has been allowed for via the weight placed on the allowance for deaths experience in recent years as a factor in determining future life expectancy assumptions.

- The overall effect of the changes to the mortality assumptions has been to slightly decrease the value of the liabilities.

Investments

The pension fund investment strategy aims to provide a high degree of certainty in the financial position of the Fund and its ability to meet its liabilities under a wide range of future economic and financial conditions, and to improve the strength of funding over time in a measured and proportionate way through long-term investment returns above gilts.

The assets in the scheme were:

		2024				2023			
		Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
Bonds[1]	Quoted	1,729	773	–	2,502	1,775	737	–	2,512
	Unquoted	–	430	–	430	–	451	–	451
Pooled investment vehicles	Quoted	–	–	–	–	–	–	–	–
	Unquoted	34	–	439	473	41	–	448	489
Derivatives	Quoted	(1)	–	–	(1)	–	–	–	–
	Unquoted	–	90	–	90	–	22	–	22
Additional Voluntary Contributions (AVC) investments	Quoted	–	–	–	–	–	–	–	–
	Unquoted	–	–	1	1	–	–	1	1
Other investment balances[2]	Quoted	13	3	–	16	13	3	–	16
	Unquoted	20	(136)	–	(116)	12	(48)	–	(36)
Amounts payable under repurchase agreements	Quoted	–	–	–	–	–	–	–	–
	Unquoted	–	(55)	–	(55)	–	(114)	–	(114)
Total net investments at fair value		**1,795**	**1,105**	**440**	**3,340**	**1,841**	**1,051**	**449**	**3,341**
Current assets	Unquoted	40	–	–	40	27	–	–	27
Current liabilities	Unquoted	(1)	–	–	(1)	(4)	–	–	(4)
Net assets of the Fund		**1,834**	**1,105**	**440**	**3,379**	**1,864**	**1,051**	**449**	**3,364**

(1) ‘Bonds’ balances have been adjusted to exclude accrued interest. The accrued interest on bonds is included in ‘Other investment balances’.

(2) ‘Other investment balances’ comprise investment cash, derivative margin balances, items in the course of settlement and collection and accrued interest in respect of both bond investments and repurchase agreements.

For the purposes of IAS 19, the asset values stated are at the balance sheet date. Market values of the scheme’s assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised.

The fair value of financial instruments has been determined using the following fair value hierarchy:

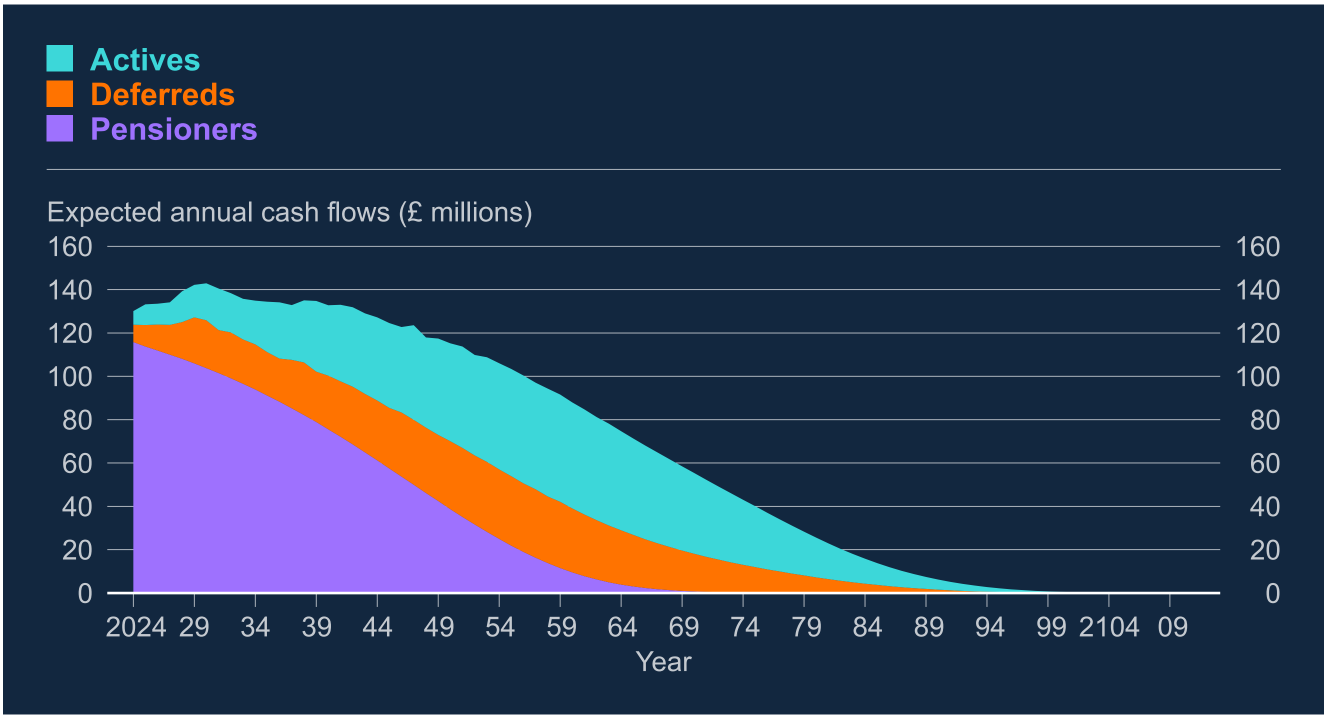
- Level 1 – were valued using an unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – were valued using inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) either directly or indirectly.
- Level 3 – where inputs were unobservable (ie for which market data is unavailable).

Main scheme

	2024 (£mn)	2023 (£mn)
Present value of defined-benefit obligations:		
Active members	(617)	(610)
Deferred members	(474)	(490)
Pensioners	(1,511)	(1,539)
GMP equalisation reserve	(6)	(6)
Total present value of defined-benefit obligations	**(2,608)**	**(2,645)**
Assets at fair value	3,379	3,364
Defined-benefit asset	**771**	**719**

The Bank has recognised the net surplus in full on the balance sheet as it can realise any surplus on the winding up of the scheme after all other benefits have been paid in full in accordance with the scheme's rules, which can only be amended with agreement between the Bank and the Trustees.

The duration of the pension scheme liabilities is in the region of 15 years. The expected future monthly cash flows from the scheme (based only on benefits built up by 29 February 2024) are shown in the chart below.



Sensitivity analysis

	2024 (£mn)	2023 (£mn)
A percentage change to the discount rate would increase/(decrease) the present value of defined-benefit obligations for the pension scheme by:		
+0.1%	(40)	(40)
-0.1%	40	40
+0.25%	(90)	(100)
-0.25%	100	100
+1.0%	(335)	(350)
-1.0%	435	450
A percentage change to the assumed difference between CPI and RPI inflation would increase/(decrease) the present value of defined-benefit obligations for the pension scheme by:		
+0.1%	25	25
-0.1%	(25)	(25)
+0.25%	65	65
-0.25%	(60)	(65)
+1.0%	280	300
-1.0%	(220)	(230)

A +0.5% change to the assumed rate of increases in salaries would increase the present value of defined benefit obligations for the pension scheme by £10mn (2023: £9mn). A -0.5% change to the assumed rate of increases in salaries would decrease the present value of defined benefit obligations for the pension scheme by £10mn (2023: £9mn).

If mortality rates were adjusted such that individuals were assumed to live for an additional year, the scheme's liabilities at the year end would increase by approximately £79mn (2023: £79mn).

The Bank paid contributions of £155mn during the year (2023: £146mn). The Bank paid contributions of £22mn in respect of the upcoming year in March 2024.

Redundancy provisions

	2024 (£mn)	2023 (£mn)
Unfunded defined-benefit liability	**(48)**	**(50)**

More details regarding the composition and valuation of redundancy provisions are provided on pages 177–78.

The Bank expects to make payments of £4mn in the forthcoming year (2023: £4mn).

Other pension schemes

	2024 (£mn)	2023 (£mn)
Unfunded defined-benefit liability	**(7)**	**(7)**

More details regarding the composition and valuation of other pension schemes are provided on page 178.

The Bank expects to make payments of less than £1mn in the forthcoming year (2023: less than £1mn).

During the year to 29 February 2024 the Bank incurred service costs of less than £1mn (2023: less than £1mn).

Medical scheme

Some staff are entitled to receive healthcare benefits in retirement. Separate provision is made for these in the Bank's accounts as these cannot be paid out of the Pension Fund.

Summary of significant assumptions

The discount rates used for the purposes of measuring post-retirement medical benefit liabilities are the same as used in the IAS 19 valuation of pension scheme liabilities (see Summary of significant assumptions on pages 184–85). The level at which claims are assumed to arise on average has been taken in line with that used for the 2023 disclosures. For accounting purposes the following assumptions have been made in respect of medical expense inflation:

	2024 (%)	2023 (%)
Initial medical trend	5.0	5.0
Ultimate medical trend	5.0	5.0
Years to ultimate	–	–

Post-retirement benefits – medical

	2024 (£mn)	2023 (£mn)
Unfunded defined-benefit liability	(74)	(76)

Sensitivity analysis provided by the actuary indicates that 0.1% decrease in the discount rate would change the deficit on the post-retirement medical benefits by £1mn (2023: £1mn) and a 1% increase in the rate of medical claims by £10mn (2023: £11mn). If the mortality rates were adjusted such that individuals were assumed to live for an additional year, the post-retirement medical liabilities at the year end would increase by approximately £4mn (2023: £4mn).

The Bank expects to pay premiums of £6mn in the forthcoming year (2023: £5mn).

27: Related parties

Transactions with those commercial banks which are related parties but not wholly owned by HM Treasury have not been disclosed as the Bank does not believe such disclosures to be necessary having regard to its financial stability objective.

a: HM Government

The Bank provides a range of activities to its shareholder, HM Treasury, and to other Government departments and bodies:

- provision of banking services, including holding the principal accounts of Government;
- management of the Exchange Equalisation Account (EEA); and
- management of the note issue.

The Bank also engaged in transactions with the Financial Services Compensation Scheme and other related parties.

The aggregate balances on HM Treasury and other public sector accounts are disclosed in note 12 as public deposits. The total charges made to HM Government totalled £86mn (2023: £80mn) as disclosed in note 5a. The breakdown is as follows:

- services provided to the EEA of £13mn (2023: £14mn);
- Issue Department £72mn (2023: £64mn);
- banking services to HM Government £1mn (2023: £2mn).

Debt Management Office and Debt Management Account

The Bank has entered into agreements with the Debt Management Account (DMA) through the UK Debt Management Office (DMO) whereby the DMA lends UK government securities to the Bank with the simultaneous agreement that the Bank would deliver equivalent securities to the DMA on termination of those agreements.

The DMA placed interest-bearing deposits with the Bank during the year, which are included within note 12 as public deposits. The interest paid in respect of DMO deposits was £246mn in 2024 (2023: £106mn).

HM Treasury

HM Treasury continued to indemnify the activities of the Bank of England Asset Purchase Facility Fund Ltd (BEAPFF).

The net profits/losses of the Issue Department are referred to as seigniorage, and paid/claimed directly to/from HM Treasury via the National Loans Fund. The total net seigniorage income paid to the National Loans Fund in respect of the year ended 29 February 2024 was £4,256mn (2023: £1,681mn).

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms set up under the Financial Services and Markets Act 2000 (FSMA). The FSCS is independent from the Prudential Regulation Authority and Financial Conduct Authority, although accountable to them and ultimately to HM Treasury.

The FSCS placed interest-bearing deposits with the Bank during the year, which are included within note 12 as public deposits.

Financial Conduct Authority

The Financial Conduct Authority (FCA) charges the Bank an administration fee relating to the invoicing and collection of fee and other income from PRA levy payers. Charges for this service totalled £125,000 in the year (2023: £73,000). The Bank is also charged for the shared use of some FCA software applications to support regulation. The total charge for this service was £5.7mn (2023: £5.4mn).

b: Subsidiaries

Full details of the subsidiaries of the Bank are disclosed in note 24.

Bank of England Asset Purchase Facility Fund Ltd (BEAPFF)

BEAPFF is a wholly-owned subsidiary of the Bank. It was established on 30 January 2009 in order to fulfil the remit of the Chancellor of the Exchequer given to the Bank on 19 January 2009. This remit was subsequently expanded to enable the Company's operations to be used as a monetary policy tool at the request of the Monetary Policy Committee of the Bank.

BEAPFF operations are fully indemnified for loss by HM Treasury and any surplus for these operations is due to HM Treasury.

At 29 February 2024 the loan from the Bank to BEAPFF was £744.3bn (2023: £843.7bn). Interest on this loan is receivable at Bank Rate and amounted to £39.2bn for the year ending 29 February 2024 (2023: £17.4bn).

At the year end BEAPFF held a deposit at the Bank of £15.7bn (2023: £17.8bn), which is included in other deposits (note 12). Interest on this deposit is payable at Bank Rate and totalled £1.1bn for the year ending 29 February 2024 (2023: £0.3bn).

A management fee payable by BEAPFF to the Bank in respect of the year ended 29 February 2024 is £2.8mn (2023: £2.3mn). This is in line with the arrangements agreed between the Bank and HM Treasury.

Bank of England Alternative Liquidity Facility Ltd (BEALF)

BEALF is a wholly-owned subsidiary of the Bank. BEALF was incorporated on 14 December 2018. The principal activity of BEALF is to offer a non-interest based deposit facility backed by the Bank to commercial banks that cannot pay or receive interest. It houses a deposit facility to allow UK banks to hold sterling deposits at the Bank in a similar way to conventional banks under the Bank's Sterling Money Framework. Relatedly, the deposit capacity of the BEALF is limited to the size of the backing fund, which may be reviewed from time to time.

At 29 February 2024 the loan from the Bank to BEALF was £nil (2023: £60mn).

At the year end BEALF held a non-interest bearing deposit at the Bank of £24.8mn (2023: £14.4mn).

The Bank has provided a guarantee for the principal value of deposits placed by participating banks with BEALF (see page 173).

A management fee payable by BEALF to the Bank in respect of the year ended 29 February 2024 is £151,557 (2023: £127,362). In addition, there is a project cost payable of £725,897 (2023: £725,897) to the Bank in respect of the cost incurred in the set-up of BEALF.

Covid Corporate Financing Facility (CCFF)

The CCFF closed for new purchases on 23 March 2021 and the final commercial paper balances owed to the Company were repaid on 18 March 2022. The CCFF entered solvent liquidation in October 2022 and was fully dissolved in February 2024.

At 29 February 2024 the CCFF's loan from the Bank totalled £nil (2023: £nil), as the CCFF repaid the loan in full in March 2022. Interest on the loan was charged at Bank Rate and amounted to £nil for the year ending 29 February 2024 (2023: £173,749).

A management fee payable by the CCFF to the Bank in respect of the year ended 29 February 2024 was £nil (2023: £0.6mn).

At the year end the CCFF held a deposit at the Bank of £nil (2023: £43,503). Interest on this deposit is payable at Bank Rate and totalled £nil for the year ending 29 February 2024 (2023: £8,503).

c: Key management personnel

The Governors and the Chief Operating Officer are indemnified by the Bank, granted in 2000 (see page 12).

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprised the Governors, members of the Executive Team and Non-executive Directors.

At 29 February 2024 the number of key management personnel was 44 (2023: 39).

The following table relates to loans between the Bank and key management personnel and persons connected with them:

	2024 (£000)	2023 (£000)
Loans		
Balance brought forward	13	32
Loans made during year	–	–
Loans repaid during year	(12)	(19)
	1	**13**
Interest income earned	–	–
Number of key management personnel with loans at 29 February	1	1

No expected credit losses have been recognised in respect of loans given to related parties (2023: nil) as the ECL amount is immaterial.

There were no other transactions that would be required to be shown under the provisions of the Companies Act 2006. None of the key management personnel had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with the Bank or any of its subsidiaries.

Key management remuneration

	2024 (£000)	2023 (£000)
Salaries and short-term benefits	8,584	7,443
Post-employment benefits	804	908
	9,388	**8,351**

Post-employment benefits have been estimated using an expected cost of pension on a funding valuation basis.

Full information on the remuneration (including pension arrangements) of the Members of Court is given in the Report of the Remuneration Committee on pages 92–100.

d: The Bank's pension scheme

The Bank provides the secretariat and some banking and custodial services to the Bank's funded pension scheme. In the year to 29 February 2024 no charge was made for these services (2023: nil). These activities are undertaken on behalf of, and under the supervision of, the Trustee of the Pension Fund. The contribution paid to the scheme during the year was £155mn (2023: £136mn). There were no other material transactions between the Bank and the pension scheme during the year to 29 February 2024. At 29 February 2024 the balances on accounts held with the Bank were £19mn (2023: £16mn).

e: Other entities with links to the Bank

In the normal course of its activities as a central bank, the Bank has relationships, involving some representation at management level and participation in funding, with international and domestic institutions. The Bank does not consider these institutions to be related parties.

Section 6: Operating assets and liabilities

This section analyses the operational assets utilised by the Bank in fulfilling its objectives and the related liabilities.

28: Payable to HM Treasury under Section 1(4) of the Bank of England Act 1946

The Bank of England Act 1946, as amended by the Bank of England Act 1998, requires the Bank to pay HM Treasury, in lieu of dividend on the Bank's capital, on 5 April and 5 October, a sum equal to a percentage of the Banking Department's post-tax profit for the previous financial year as agreed by the Bank and HM Treasury. The cash amount paid in 2024 was £nil (2023: £nil). When the due date falls on a non-business day, the payment is made on the last business day before the due date. The payments are accrued and charged to equity. The payments are deductible for corporation tax in the year to which the payments relate.

	2024 (£mn)	2023 (£mn)
Payable 5 April 2024 (2023: 5 April)	–	–
Payable 5 October 2024 (2023: 5 October)	–	–
	–	**–**

Following agreement of the capital framework[36] between the Bank and HM Treasury, the proportion of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters as outlined in section 2b of the financial relationship between HM Treasury and the Bank of England: memorandum of understanding. No dividend will be paid to HM Treasury for the financial year to 29 February 2024 as the Bank's loss-absorbing capital is below the £3.5bn threshold, in line with the capital framework.

36. **www.bankofengland.co.uk/letter/2018/banks-financial-framework-june-2018**.

29: Property, plant and equipment

Accounting policies

i: Initial recognition

The amount capitalised at initial recognition is the purchase price of the asset along with any further costs incurred in bringing the asset to its present condition and location.

ii: Subsequent valuation

Subsequent costs are added to an asset's carrying amount, or are recognised as a separate asset as appropriate, only when it is probable that they will generate future economic benefits to the Bank and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Professional valuations of the Bank's properties are carried out each year with subsequent additions included at cost and provisions made for depreciation as explained below. Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the income statement, in which case the credit is to the income statement.

The figures for freehold land and buildings reflect independent professional valuations performed in accordance with the Royal Institution of Chartered Surveyors (RICS) on a market-value basis as at 29 February 2024 by Gerald Eve, members of RICS.

iii: Depreciation

Land is not depreciated. Depreciation on other property, plant and equipment is charged on a straight-line basis:

- Freehold buildings: over the estimated future lives which range from 10 to 75 years.
- Leasehold improvements: over the estimated remaining life of the lease.
- Plant within buildings: over periods ranging from 5 to 20 years.
- Lease right of use (ROU) assets: over the estimated remaining life of the lease.
- IT equipment: over periods ranging from 3 to 7 years.
- Other equipment: over periods ranging from 3 to 20 years.

The depreciable amount of a revalued asset is based on its revalued amount less any residual value. The revaluation surplus is not transferred to retained earnings until the asset's ultimate disposal.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

iv: Gain or losses on the disposal of property, plant and equipment

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

	Freehold land and buildings (£mn)	Leasehold improvements (£mn)	Equipment[1] (£mn)	Lease ROU assets (£mn)	Total (£mn)
For the period to 29 February 2024					
Cost or valuation					
At 1 March 2023	255	15	200	78	548
Additions	15	–	12	–	27
Disposals/write-offs	–	–	(4)	–	(4)
Revaluation of properties	(17)	–	–	–	(17)
At 29 February 2024	**253**	**15**	**208**	**78**	**554**
Accumulated depreciation					
At 1 March 2023	3	10	107	37	157
Charge for the period	4	1	22	10	37
Disposals/write-offs	–	–	(4)	–	(4)
Revaluation of properties	(3)	–	–	–	(3)
At 29 February 2024	**4**	**11**	**125**	**47**	**187**
Net book value at 1 March 2023	252	5	93	41	391
Net book value at 29 February 2024	**249**	**4**	**83**	**31**	**367**

(1) Net book value of equipment at 29 February 2024 included £nil held under finance leases.

Additions for the year includes accrued amounts of £3mn (2023: £5mn). The cash purchases for the year are £29mn (2023: £30mn).

	Freehold land and buildings (£mn)	Leasehold improvements (£mn)	Equipment[1] (£mn)	Lease ROU assets (£mn)	Total (£mn)
For the period to 28 February 2023					
Cost or valuation					
At 1 March 2022	304	15	192	78	589
Additions	15	–	17	–	32
Disposals/write-offs	–	–	(9)	–	(9)
Revaluation of properties	(64)	–	–	–	(64)
At 28 February 2023	**255**	**15**	**200**	**78**	**548**
Accumulated depreciation					
At 1 March 2022	2	9	95	27	133
Charge for the period	5	1	21	10	37
Disposals/write-offs	–	–	(9)	–	(9)
Revaluation of properties	(4)	–	–	–	(4)
At 28 February 2023	**3**	**10**	**107**	**37**	**157**
Net book value at 1 March 2022	302	6	97	51	456
Net book value at 28 February 2023	**252**	**5**	**93**	**41**	**391**

(1) Net book value of equipment at 28 February 2023 included £nil held under finance leases.

30: Intangible assets

Accounting policies

i: Initial recognition

Intangible assets mainly consist of computer software and the costs associated with the development of software for internal use.

Costs associated with externally purchased software and costs directly associated with the internal production of software products, which are controlled by the Bank and which will generate economic benefits exceeding those costs, are recognised as intangible assets. Economic benefits include those that help the Bank to achieve its mission.

ii: Amortisation

These costs are amortised over the expected useful lives of the software, which range from three to five years. Costs associated with software maintenance are recognised as an expense when incurred. Intangible assets are tested for impairment annually. Intangible assets are also subject to an impairment review if there are events or changes in circumstances that indicate that the current valuation may be too high.

	2024 (£mn)	2023 (£mn)
Cost		
At 1 March	318	260
Additions	38	58
Disposals/write-offs	–	–
At 29/28 February	**356**	**318**
Accumulated amortisation		
At 1 March	81	58
Charge for the year	28	23
Disposals/write-offs	–	–
At 29/28 February	**109**	**81**
Net book value at 1 March	237	202
Net book value at 29/28 February	**247**	**237**

Additions for the year includes accrued amounts of £nil (2023: £nil). The cash purchases for the year are £38mn (2023: £58mn).

31: Other assets

Accounting policies

Long leases granted on property owned by the Bank are treated as finance leases. Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease, being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

	2024 (£mn)	2023 (£mn)
Finance lease receivables	5	5
Short-term debtors and other assets	4,758	3,866
Items in course of settlement	1,828	1,928
	6,591	**5,799**

Finance lease receivables includes £5mn due in more than one year (2023: £5mn). Within short-term debtors and other assets there is accrued interest of £3,130mn (2023: £2,526mn). Short-term debtors and others assets includes the accrued interest earned on the loan to BEAPFF and accrued fees on TFSME loans and are reflective of the increase in Bank Rate. Items in the course of settlement includes £1,577mn cash receivable related to the most recent bond issuance on 27 February 2024 with settlement on 5 March 2024 (2023 £1,648mn related to the bond issuance on 28 February 2023 with settlement on 7 March 2023). This bond matures on 5 March 2027. Refer to note 15, ‘Foreign currency bonds in issue’, for further details of the issuance.

32: Other liabilities

Accounting policies

Other liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced, or where an obligation on the Bank has arisen.

Provisions

Provisions are recognised in respect of restructuring, onerous leases and legal claims arising from past events, where a present legal or constructive obligation exists, where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Lease liabilities

Lease liabilities are recognised in respect of premises occupied by the Bank. Lease liabilities are recognised on the balance sheet and are measured at the present value of the remaining lease payments discounted at the weighted average lessee's incremental borrowing rate.

i: Analysis of other liabilities

	2024 (£mn)	2023 (£mn)
Items in course of collection	1,102	1,644
Payable to HM Treasury	3	25
Short-term creditors and other liabilities	3,528	2,936
Lease liabilities	25	38
Provisions	3	5
Balance at 29 February	**4,661**	**4,648**

Items in the course of collection includes the cash payable related to purchase of foreign government securities funded by the most recent bond issuance on 27 February 2024 with settlement on 5 March 2024. This bond matures on 5 March 2027. Refer to note 15, 'Foreign currency bonds in issue', for further details of the issuance.

Payable to HM Treasury includes payment in lieu of dividend (note 28), enforcement fines (net of costs) payable to HM Treasury, and any over/underrecoveries of management fees for the management of the notes issue and the Exchange Equalisation Account.

ii: Analysis of provisions

	Restructuring provision (£mn)	Onerous lease provision (£mn)	Other provisions (£mn)	Total (£mn)
Balance at 1 March 2023	2	–	3	5
Provisions utilised during the year	(2)	–	–	(2)
Provisions made during the year	–	–	–	–
Provisions reversed during the year	–	–	–	–
Balance at 29 February 2024	**–**	**–**	**3**	**3**

iii: Analysis of lease liabilities

	2024 (£mn)	2023 (£mn)
Expiring within one year	6	11
Expiring between one and five years	19	24
Expiring between five and ten years	–	3
Balance at 29 February	**25**	**38**

iv: Lease liability movements

	2024 (£mn)	2023 (£mn)
Balance at 1 March 2023	38	47
New leases entered into in year	–	–
Payments in the year	(14)	(10)
Interest expense on lease liabilities	1	1
Balance at 29 February	**25**	**38**

Section 7: Other miscellaneous notes

This section includes miscellaneous notes to the accounts not included in other sections.

33: Auditor's remuneration

	2024 (£000)	2023 (£000)
For the period to 29 February		
Fees relating to audit services performed for the current year	1,275	795
Fees relating to prior year	85	–
Fees payable to the Auditor for services provided to the Bank		
Non-audit assurance services for the current year	58	55
Total	**1,418**	**850**

Non-audit assurance services for the current year comprise £34,000 for providing assurance to HM Treasury on the allocation of costs (2023: £32,000), and £24,000 for the submission for Whole of Government Accounts (2023: £23,000).

34: Deferred tax

Accounting policies

Deferred tax

Deferred tax is provided in full, using the liability method, on losses, tax credits and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by 29 February 2024 and which are expected to apply when the related deferred tax asset or liability is realised. Deferred tax liabilities are presented net of deferred tax assets in the statement of financial position as the Bank has the legal right to settle current tax amounts on a net basis and all tax amounts relate to amounts owing to HMRC in the same jurisdiction. It is the Bank's intention to settle amounts on a net basis.

Rate

Deferred tax is calculated on temporary differences, losses and tax credits using the tax rate of 25.00% (2023: 25.00%).

Principal differences

The principal temporary differences arise from:

- revaluation of certain financial assets;
- provisions for pensions and other post-retirement benefits;
- depreciation of property, plant and equipment;
- property revaluations; and
- intangibles.

Recognition

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences, losses and tax credits can be utilised.

Deferred tax related to securities held at FVOCI under IFRS 9 and actuarial gains and losses on retirement benefit obligations is credited or charged directly to other comprehensive income and is subsequently recognised in the income statement together with the current or deferred gain or loss if and when realised.

	Note	2024 (£mn)	2023 (£mn)
Deferred tax			
Net liability at 1 March		448	559
Income statement (credit)/charge	6	(1)	7
Tax (credited) through other comprehensive income or directly to equity	6	(15)	(118)
Net liability at 29 February		**432**	**448**

	2024 (£mn)	2023 (£mn)
Deferred tax liability relates to:		
FVOCI equity investments through comprehensive income	382	373
Pensions and other post-retirement benefits	161	147
Losses carried forward	(110)	(74)
Other	(1)	2
Total	**432**	**448**

The Bank has deductible temporary differences of £86mn (2023: £86mn) worth £21mn (2023: £21mn) in deferred tax at 25% relating to revalued property on which no deferred tax is recognised.

Issue Department account for the period ended 29 February 2024

	2024 (£mn)	2023 (£mn)
Income and profits		
Securities of, or guaranteed by, the British Government	93	65
Other securities and assets[(1)]	4,251	1,714
	4,344	**1,779**
Expenses		
Cost of production of banknotes	(36)	(28)
Cost of issue, custody and payment of banknotes	(31)	(26)
Other expenses	(5)	(10)
	(72)	**(64)**
Buffer withheld by Bank[(2)]	(16)	(34)
Net seigniorage income paid to the National Loans Fund	**4,256**	**1,681**

(1) Significantly higher in 2024 due to increased interest earned on the deposit with the Banking Department following successive Bank Rate rises.
(2) Net income paid to the NLF excludes a buffer held back to meet future expenditure. At the 2024 year end this was £16mn (2023: £34mn). Amounts held back in the buffer are paid over to the NLF in the subsequent year but are not included in that year's net income paid to NLF reported here.

Issue Department statement of balances for the period ended 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Assets			
Securities of, or guaranteed by, the British Government	3	1,506	1,536
Other securities and assets including those acquired under reverse repurchase agreements	4	85,512	84,371
Total assets		**87,018**	**85,907**
Liabilities			
Notes issued:			
In circulation	5	87,018	85,907
Total liabilities		**87,018**	**85,907**

On behalf of the Governor and Company of the Bank of England:

Mr A Bailey, Governor

Mr S Woods, Deputy Governor

Mr D Roberts, Chair of Court

Ms A Kyei, Chief Financial Officer

Notes to the Issue Department statements of account

1: Basis of preparation

The statements of account are prepared in accordance with the requirements of the Currency and Bank Notes Act 1928 and 1954, the National Loans Act 1968 and the Currency Act 1983. All profits of the Issue Department are payable to the National Loans Fund (NLF).

- The statements of account are prepared on the basis of amounts received and paid as modified by the effects of a revaluation of securities.
- All securities are revalued quarterly at their clean mid-market price and are stated, with purchased accrued interest, in the balance sheet at this valuation. The last valuation was made as at 29 February 2024.
- If a revaluation of securities shows a net gain, this is included in income. A deficit is not taken against income but is settled by a transfer from the NLF. Total gains taken to income in the year to 29 February 2024 amounted to £16mn (2023: £nil) and total deficits paid by the NLF amounted to £46mn (2023: £162mn).
- Notes in circulation exclude those old series notes which have been written off. The value of the note is still given by the Bank on presentation. The Bank is reimbursed by HM Treasury in these instances.

2: Expenses

The expenses of £72mn (2023: £64mn) represent charges from the Banking Department for costs incurred by the Issue Department of £72mn (2023: £70mn) in relation to note issuance production costs plus or minus amounts over/undercollected in prior years.

3: Securities of, or guaranteed by, the British Government

	2024 (£mn)	2023 (£mn)
British Government Stocks	1,136	1,166
Ways and Means advance to the National Loans Fund	370	370
	1,506	**1,536**

The Ways and Means advance earns interest at Bank Rate.

4: Other securities and assets including those acquired under reverse repurchase agreements

	2024 (£mn)	2023 (£mn)
Deposit with Banking Department	85,512	84,261
Reverse repurchase agreements	–	110
	85,512	**84,371**

The deposit with Banking Department earns interest at Bank Rate.

5: Notes in circulation

	2024 (£mn)	2023 (£mn)
£5	1,922	1,956
£10	12,767	13,560
£20	52,926	52,297
£50	14,757	13,450
Other notes(1)	4,646	4,644
	87,018	**85,907**

(1) Includes higher-value notes used as backing for the note issues of banks in Scotland and Northern Ireland.

6: Assets and liabilities

a: Interest rate exposure

As the liabilities of the Issue Department are interest free, the income of the Issue Department is directly exposed to movements in interest rates. As at 29 February 2024, the assets of the Issue Department had the following repricing period profile.

	2024 (£mn)	2023 (£mn)
Repricing up to one month	85,882	84,740
Repricing in greater than three months but less than six months	–	–
Repricing in greater than 12 months	1,136	1,167
	87,018	**85,907**

b: Currency exposure

All the assets and liabilities of the Issue Department are denominated in sterling. The collateral provided under reverse repurchase agreements may be in currencies other than sterling but this does not give rise to any direct currency exposure.

c: Credit risk

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. The Bank is exposed to credit risk both through direct exposures and through contingent exposures, such as custody arrangements and holdings of collateral. Credit risk arises in the course of the operations of the Notes Circulation Scheme, Agency Notes Store and Notes Printing Contract; and as a result of the Bank providing liquidity to financial institutions via open market operations.

In providing liquidity via routine open market operations, credit risk is managed by ensuring that exposures are fully collateralised (with appropriate margin) by securities that are internally rated as equivalent to investment grade securities.

Credit risk on the securities held outright by the Bank is managed by holding only securities internally rated as equivalent to investment grade securities in routine circumstances, issued chiefly by governments and central banks.

7: Accrued interest

At 29 February 2024 the unrecognised accrued interest on the assets held on the Issue Department statement of balances was £33mn (2023: £30mn).

8: Date of approval

The Members of Court approved the statements of account on pages 208–12 on 11 June 2024.

PRA income statement for the period ended 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Income			
Fee income	2	303	313
Enforcement fine income	5	2	3
Other income	3	10	10
Total income		**315**	**326**
Expenses			
Administrative expenses	4	(315)	(326)
Total expenses		**(315)**	**(326)**
Surplus/(deficit)		–	–

The amounts for the PRA are reported within the Banking Department, and are presented here in accordance with the requirements of Section 7(2A) of the Bank of England Act 1998.

The notes on pages 215–22 are an integral part of these financial statements.

PRA statement of balances for the period ended 29 February 2024

	Note	2024 (£mn)	2023 (£mn)
Assets			
Current assets			
Cash balance held internally by the Bank of England		–	10
Fees and other receivables	8	–	1
Intangible assets	9	15	18
Total assets		**15**	**29**
Liabilities			
Current liabilities			
Overdraft balance held internally by the Bank of England		7	–
Trade and other liabilities	10	8	29
Total liabilities		**15**	**29**

The balances for the PRA are reported within the Banking Department, and are presented here in accordance with the requirements of Section 7(2A) of the Bank of England Act 1998.

On behalf of the Governor and Company of the Bank of England:
Mr A Bailey, Governor
Mr S Woods, Deputy Governor
Mr D Roberts, Chair of Court
Ms A Kyei, Chief Financial Officer

The notes on pages 215–22 are an integral part of these financial statements.

Notes to the PRA statement of accounts

1: Basis of preparation

Form of presentation of the statement of accounts

The statement of accounts comprise the income statement, the statement of balances, and related notes, and are presented as a subset of the financial statements provided for the Bank.

Under the Bank of England Act 1998 (as amended) (the Act), the Bank is required to present financial and other disclosures in respect of its activities as the Prudential Regulation Authority.

Section 7(2A) of the Act requires that the Bank prepare for each of its financial years a statement of accounts in relation to the:

(a) income received and assets accrued by the Bank by virtue of its functions as the Prudential Regulation Authority; and

(b) expenses and liabilities incurred by the Bank by virtue of its functions as the Prudential Regulation Authority.

Section 7(4A) of the Act requires the Bank to comply with any directions given by HM Treasury as to:

(a) the information to be contained in the statement and the manner in which it is to be presented; and

(b) the methods and principles according to which the statement is to be prepared.

The direction from HM Treasury requires the accounting policies and disclosures applied to be aligned with those standards applicable to the Bank and also to include specific disclosures in relation to:

(a) fair pay;
(b) sickness absence;
(c) exit packages; and
(d) losses and special payments.

The statement of accounts has been prepared and shows the amounts related to the Bank's activities as the PRA that are reported within the Banking Department financial statements. The statement of accounts comprise the income statement, the statement of balances and related notes.

The additional disclosures have been included within the notes to the statement of accounts.

The Court of Directors confirms that the money levied by the Prudential Regulation Authority under Parliamentary Authority recorded in these statement of accounts of the PRA has been applied to the purposes intended by Parliament.

Accounting policies

The principal accounting policies applied in the preparation of the statement of accounts are the same as those applied by the Bank.

Income from regulatory activity

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement (AFR) consultation process, along with fees for specific regulatory activity. This fee income is recognised to the value of relevant expenditure incurred in the year, in the income statement.

Special project fees

Special project fee income is recognised to match expenditure incurred on activity that has been designated as a special project, for which fees are raised separately in arrears.

There are special project fee activities for which fees are collected in advance, in anticipation of the total spending requirements in the year. Income is recognised through the income statement against cost incurred. Any surplus or deficit is returned or recovered in subsequent financial years.

Model Maintenance Fees

Model Maintenance Fees are collected from eligible fee payers in anticipation of the total cost of providing internal model reviews throughout the year, and recognised through the income statement in its entirety throughout the year.

Other sundry income includes authorisation fees paid by firms and individuals, which is recognised in the income statement as incurred.

Enforcement income

Financial penalty monies are recognised as revenue, capped at the level of enforcement expenditure in the year, where they have been levied and received in the financial year, in accordance with the PRA Financial Penalty Scheme. Where financial penalties specific to a single case exceed its costs, the excess penalty monies received can be used to cover expenditure on other cases in the current period. This is returned to fee payers (excluding those fined) in the following financial year. Any financial penalty monies received in excess of total enforcement expenditure in the current period is paid over to HM Treasury, and is not recognised as revenue in the Bank's accounts.

Cost recoveries

Costs in relation to reports under section 166 of the Financial Services and Markets Act 2023 are fully recovered directly from the specific entities under review. The recovery of these costs is matched directly to the costs incurred in the income statement within expenditure.

Cash balance held internally by the Bank of England

Cash held internally by the Bank of England is a notional cash balance at the reporting date and represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity.

Treatment of a surplus or deficit

Any surplus or deficit between fees collected and income recognised in the year will be held as a payable or receivable on the balance sheet as the intention is to return any surplus or claim any deficit in the following financial year.

2: Fee income

	2024 (£mn)	2023 (£mn)
Fee income	303	313
Total	**303**	**313**

3: Other income

	2024 (£mn)	2023 (£mn)
Model Maintenance Fee income	9	8
Other sundry income	1	2
Total	**10**	**10**

4: Administrative expenses

	Note	2024 (£mn)	2023 (£mn)
Staff costs	6	158	162
Costs incurred centrally and allocated to the PRA		140	144
Professional and membership fees		4	6
Amortisation of intangible assets		3	5
Travel and accommodation		1	1
Other administration and general expenses		9	8
Cost recoveries		–	–
Total		**315**	**326**

Included within administrative expenses are costs incurred centrally and allocated to the PRA for provision of IT, Finance, Property and Procurement, and Human Resource services.

5: Enforcement fine income

During the year £145.2mn of enforcement fines were raised and collected of which £141mn was immediately remitted to HM Treasury. Enforcement income of £1.9mn (2023: £2.6mn) was recognised in the year, with the balance of £2.3mn payable to HM Treasury (2023: £26.0mn). This payment was made post year end. Enforcement fines received and then paid over to HM Treasury are not recognised as income.

6: Staff costs

	2024 (£mn)	2023 (£mn)
Wages and salaries	125	112
Social security costs	14	13
Pension and other post-retirement costs	19	37
Total	**158**	**162**

HM Treasury has made a direction under Section 7(4A) of the Bank of England Act 1998 requiring the Bank to disclose the following in respect of staff deemed to work exclusively for the PRA.

Fair pay

The banded remuneration of the highest paid director (full time equivalent base salary plus benefits and excluding pension) in the financial year 2023/24 was £298,545 (2022/23: £291,041).[37] This comprises a salary of £296,000 as at 29 February 2024 (2022/23: £288,700), plus non pension related benefits of £2,545 (2022/23: £2,341). This was 4.21 (2022/23: 4.24) times the median remuneration of the workforce, which was £70,937 (2022/23: £68,587). The decrease in the ratio from the prior year reflects the Bank's annual pay rise and an increase in the total number of employees, which has increased the median pay.

During 2023/24 no employee received remuneration in excess of the highest paid director. Remuneration ranged from £26,247 to £273,983 (2023: £24,512 to £275,152).

Exit package

There were no compulsory redundancies during the year.

There were two exit packages agreed during the year, in the ranges set out below:
£10,000–£20,000 1
£40,000–£50,000 1

Sickness absence

The average level of sickness absence in the organisation, calculated as working days lost per financial year based on the number of full-time equivalent employees was five days (seven in 2023).

37. Prior year comparatives have been updated to align methodology with the fair pay disclosures made in the Report of the Remuneration Committee, see page 100.

Average staff numbers

The average number of persons employed by the Bank deemed to work exclusively for the PRA during the year was made up as follows:

	2024	2023
Governors and other members of Executive Team	7	8
Managers and analysts	1,363	1,254
Other staff	202	187
Total	**1,572**	**1,449**

The number of persons employed by the Bank and working for the PRA was 1,617 at 29 February 2024, of which 1,371 were full-time staff and 246 were part-time (2023: 1,529; with 1,304 full-time and 225 part-time).

7: Taxation

Under the agreement with HM Revenue and Customs, the fees paid by regulated institutions for regulatory purposes are not subject to corporation tax, but net interest income on deposits and any other investment income are subject to corporation tax as non-trade credits. Such net interest or other investment income was £nil during the year (2023: £nil).

8: Fee and other receivables

	2024 (£mn)	2023 (£mn)
Fees receivable	–	1
Total	**–**	**1**

Fees receivable at the reporting date includes £nil (2023: £nil) on account invoicing relating to the annual funding requirement from counterparties for the 2023/24 fee year.

9: Intangible assets

	2024 (£mn)	2023 (£mn)
Cost		
At 1 March	52	48
Additions	–	4
At 29 February	**52**	**52**
Accumulated amortisation		
At 1 March	34	29
Charge for the year	3	5
At 29 February	**37**	**34**
Net book value at 1 March	18	19
Net book value at 29 February	**15**	**18**

Intangible assets comprise software development to enable the PRA to fulfil its regulatory duties.

There were no additions of intangible assets purchased but not paid for at the balance sheet date (2023: £nil).

10: Trade and other liabilities

	Note	2024 (£mn)	2023 (£mn)
Fees received in advance		4	–
Financial penalties received – due to HM Treasury	5	2	26
Financial penalties received – payable to fee payers	5	2	3
Total		**8**	**29**

In accordance with the PRA Financial Penalty Scheme, financial penalty monies received are payable to HM Treasury where they are in excess of enforcement costs incurred during the year, with the remainder due to fee payers.

11: Financial risk

The PRA's principal financial assets are cash, together with fees and other receivables.

Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to meet its financial obligations to the Bank in its capacity as the PRA. The credit risk that the PRA faces arises when the PRA invoices counterparties from the financial services industry for the collection of regulatory fees and special project fees.

The Bank monitors the credit risk exposure, and the collection of fees from counterparties, on behalf of the PRA. The PRA has a strong record of collecting fees with outstanding amounts at the year-end relating to regulatory services already consumed by those counterparties almost negligible.

Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In sterling, liquidity risk does not arise as the Bank is able to create sterling liquidity.

12: Losses and special payments

There were no reportable losses or special payments in the year.

13: Date of approval

The Members of Court approved the statements of account on pages 213–22 on 11 June 2024.

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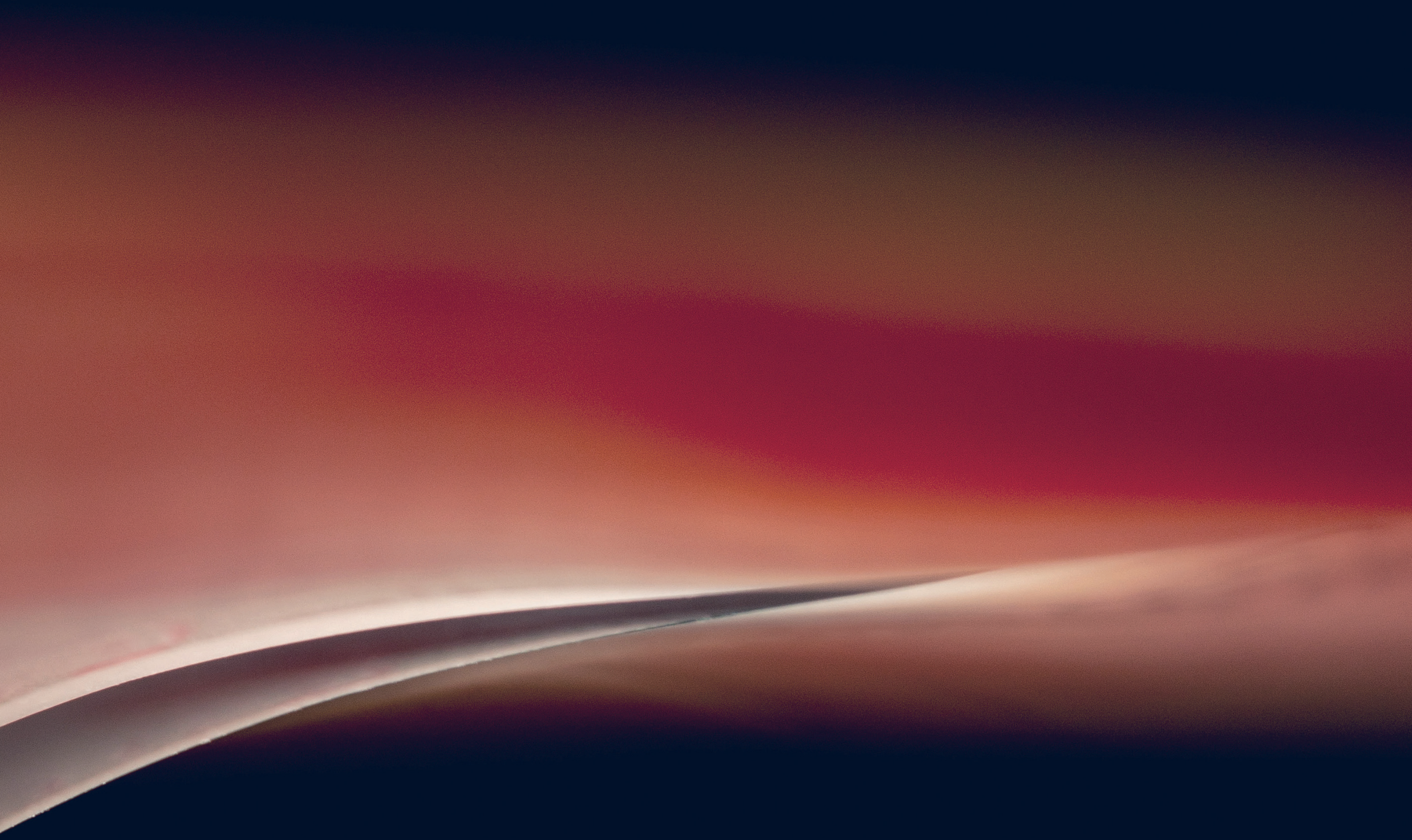

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