Funding the Future

Glossary entry: Ways and Means Account

Published: September 24, 2026, 6:12 am

A commentator on this blog asked me what the Ways and Means Account was yesterday. I thought the best way to respond was to create a glossary entry, but then I found I had already done that, and that the entry in question was in serious need of updating. This is the new version:

Ways and Means Account

The Ways and Means Account is the UK government's overdraft facility at the Bank of England. It allows the Bank to make sterling advances directly to HM Treasury.

Historically, the Ways and Means Account was routinely used to manage the government's day-to-day cash requirements. Since the Debt Management Office took responsibility for government cash management in 2000, the account has largely fallen out of use, although it continues to exist and a small balance is deliberately maintained on it.

The significance of the Ways and Means Account is greater than its current use might suggest.

The account demonstrates that the UK government has access to an account at its own central bank through which the Bank of England can provide it directly with sterling. During the Covid crisis in 2020, the Treasury and Bank explicitly agreed that the Ways and Means Account could be temporarily extended if necessary. This would have allowed government spending to continue without the Treasury having to raise corresponding sums immediately through financial markets.

Under current institutional arrangements, this is not how the UK government normally manages its finances. Government cash management is undertaken through the Debt Management Office, while gilts and Treasury bills are issued as part of the government's debt-management programme.

The Funding the Future perspective

The Ways and Means Account is important because it exposes the weakness in the claim that the UK government is inherently dependent upon financial markets to obtain the pounds that it spends.

The Bank of England can create sterling and provide it directly to the Treasury through this account. The government normally chooses not to use the Ways and Means Account for this purpose because the institutional framework instead requires extensive use of government bond issuance.

That is a policy choice, not a technical necessity.

The Ways and Means Account therefore illustrates a fundamental difference between a currency-issuing government and a household or business. A household requiring an overdraft must obtain money from its bank. The UK government has an overdraft account at the institution that creates sterling.

The fact that the account is now little used does not diminish its conceptual importance. It demonstrates what is possible within the UK monetary system and helps explain why the government’s supposed financial dependence upon bond markets should not be confused with an inability to create or access its own currency.