HM Treasury

Annual Report and Accounts of HM Treasury

Year to the 31 March 2025

HC 1244

July 2025

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Presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed on 21 July 2025

HC 1244

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This is part of a series of departmental publications which, along with the Main Estimates 2025-26 and the document Public Expenditure: Statistical Analyses 2025, present the government's outturn for 2024-25 and planned expenditure for 2025-26.

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN 978-1-5286-5532-3

E03222296 07/25

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationary Office

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Lord Livermore
Financial Secretary to the Treasury

> "We now look ahead to another year of national renewal. While there will be challenges along the way, I am confident that HM Treasury will again rise to the moment with the same energy and professionalism that it has shown throughout the first year of this new government."

Since taking office one year ago, this government's number one mission has been to deliver higher economic growth and drive-up living standards for working people. From day one, HM Treasury has taken action to fulfil that mission, and I am proud of the hard work and dedication of staff in what has been an extremely busy year for the department.

Our work has come against the backdrop of significant change in the global economy, with new trade headwinds and threats to security leading to rising uncertainty across the world. The UK has not been immune to these challenges but we are confronting them from a position of strength.

Stability has been at the heart of our approach. We took difficult decisions in the Budget last October to fix the foundations of our economy and repair the public finances. Our reforms to the fiscal framework – the biggest since 2010 – have provided confidence and certainty to investors and markets, including through our non-negotiable fiscal rules.

Delivering stability has provided the foundation upon which we have taken forward our agenda for growth and reform, including in the multi-year Spending Review. The Review cut government waste and duplication through the first zero-based assessment of spending in eighteen years. It invested in the priorities of working people; providing significant new support for our NHS and for our defence and security. And it delivered £113 billion of new public investment in infrastructure to secure long-term growth, building on the record levels of private capital committed at the International Investment Summit and through the National Wealth Fund.

New investment must go hand in hand with reform of our economy, to make it easier for businesses to raise finance, to grow and to build. That is why we are streamlining regulation, including in the planning system, boosting skills training, and reforming the pensions market through the Mansion House Accord. Our modern industrial strategy and 10-year infrastructure strategy have given firms the confidence to invest in Britain and create more highly-skilled jobs over the long-term.

Internationally, our support for Ukraine remains ironclad, and we continue to provide £3 billion a year in military support for as long as it takes, as well as £2.26 billion in support, backed by the profits of immobilised Russian sovereign assets. We have led efforts to maintain global economic stability and ensure that the proceeds of growth are evenly shared, including through reform of international multilateral organisations. And on trade, we have protected British jobs and investment, including in our leading aerospace and automotive sectors, through major deals with the United States, the European Union and India.

Just as the global landscape continues to evolve, so does the Treasury. We are becoming smaller and more agile; returning closer to the size we were before the pandemic. The new department will be more focused, empowered, and equipped to address complex national challenges.

At the same time, we have continued to develop an expanded presence outside of London, notably at the Darlington Economic Campus – ensuring access to the best talent from across the country – and we have welcomed colleagues from the new National Infrastructure & Service Transformation Authority, who bring oversight of infrastructure strategy and delivery together for the first time.

We now look ahead to another year of national renewal. While there will be challenges along the way, I am confident that HM Treasury will again rise to the moment with the same energy and professionalism that it has shown throughout the first year of this new government. Guided by fair and responsible choices, delivered in the national interest, we will continue to provide the change that Britain demands.

Lord Livermore
Financial Secretary to the Treasury
17 July 2025

HM Treasury...

..at a glance

- **1.3%** GDP growth in 2024-25
- **2.4%** CPI Inflation in 2024-25
- **2.6%** **Increase** Real Household Disposable Income
- **16.3%** **Increase** National minimum wage
- **£2.26bn** ERA commitment to Ukraine
- **2.5%** Of GDP committed to Defence Spending from April 2027
- **£27.8bn** Capacity for National Wealth Fund
- **£100bn** **Increase** In capital investment at Autumn Budget
- **£65bn** Total Managed Expenditure
- **3,393** Parliamentary Questions answered
- **4.1%** Gender Pay Gap (mean gap HMT core)
- **340** Darlington employees against target (335)

Statement by the Permanent Secretary

James Bowler CB
Permanent Secretary to the Treasury

> "HM Treasury concluded the delivery of the 2025 Spending Review in July for all departments setting out 3-year budgets and 5-year capital budgets alongside a 10-year Infrastructure Strategy. This has been a significant endeavour, reflecting the culmination of an extensive planning process that began last July."

This year, HM Treasury has demonstrated professionalism and adaptability in managing a sound transition to a new government and ensuring stability for the nation's finances and public services. Our staff have responded with commitment and agility, maintaining focus on delivering the government's objectives through a period of significant change and ongoing economic uncertainty.

HM Treasury's central mission has been to drive economic growth and raise living standards enhanced through the Chancellor's leadership of the government's Growth Mission. In addition, we have an objective to build and maintain strong public finances and deliver economic and financial stability. This was underpinned by several key moments in 2024-25. In July the government looked to reset public finances: then the Autumn Budget set out a responsible fiscal path, prioritising investment while maintaining fiscal discipline; Spending Review phase 1 provided clarity and certainty for departmental budgets, supporting delivery of government priorities; and the Mansion House reforms advanced our vision for a more dynamic and internationally competitive financial services sector. We are developing the first-ever Financial Services Growth and Competitiveness Strategy outlining how the financial services sector will drive innovation, growth, and new opportunities across the UK as part of the Industrial Strategy. The Chancellor's interventions on growth articulated the government's strategic approach to unlocking investment, boosting productivity, and ensuring the benefits of growth are felt across every region of the UK—providing clear direction for the Growth Mission going forward. Progress on key manifesto commitments, such as the creation of a National Wealth Fund and the launch of a major programme of planning reform, further reinforced our commitment to sustainable, inclusive growth.

Despite challenging global and domestic conditions, we have continued to deliver for the people of the UK. Inflation has eased from recent highs, and we have worked in close coordination with partners to support households and businesses throughout.

We have strengthened the fiscal framework, enhanced independent scrutiny, and launched the Office for Value for Money (OVfM) to provide a dedicated focus on driving efficiency, transparency, and accountability across government spending. Repairing and safeguarding the public finances remains a core priority, alongside targeted tax reforms.

Internationally, HM Treasury has played a leading role in responding to geopolitical events, including ongoing support for Ukraine, including announcing the UK's Extraordinary Revenue Acceleration (ERA) loan to Ukraine and efforts to maintain global financial stability, an Economic and Fiscal Dialogue with China and engagement with the European Union as part of the government's reset. We have continued to deliver key reforms in the financial services sector, unlocking new pensions investment, advancing green finance ambitions, and supporting innovation.

Our people remain at the heart of our achievements. We have expanded our presence outside London, particularly through the continued growth of the Darlington Economic Campus (DEC). The announcement of the Brunswick site in 2024-25 reaffirmed our sustained commitment to building a strong, diverse, and resilient HM Treasury presence in the North East. We have also invested in skills, diversity and wellbeing, ensuring HM Treasury remains a modern, inclusive and resilient organisation.

This year, we undertook significant preparations for the establishment of the National Infrastructure & Service Transformation Authority (NISTA), which will come into being in 2025-26. These preparations have involved close collaboration across government to ensure the new Authority will drive delivery of major infrastructure and public service transformation projects, strengthening the department's ability to deliver long-term value for the public.

In addition, the appointment of the Covid Corruption Commissioner marked a further step in HM Treasury's efforts to protect the integrity of public spending, enabling more robust investigation and recovery of funds lost to fraud during the pandemic.

HM Treasury concluded the delivery of the 2025 Spending Review in July for all departments setting out 3-year budgets and 5-year capital budgets alongside a 10-year Infrastructure Strategy. This has been a significant endeavour, reflecting the culmination of an extensive planning process that began last July. This review is pivotal as it transitions macroeconomic fiscal policy into detailed departmental spending plans, setting multi-year budgets for over 20 departments with a total expenditure limit exceeding £700 billion by the final year. The process involved negotiations and collaboration with departments and stakeholders, amidst a volatile global economy and complex geopolitical shifts. The review delivers a credible, fully funded plan prioritising national security, public services, economic growth, and infrastructure. The dedication and professionalism of Treasury colleagues has been instrumental in achieving this outcome, underscoring the department's commitment to effective fiscal management and long-term planning. For HM Treasury itself we have conducted a zero-based review on where we might prioritise as we look to get slightly smaller from historical highs and best work to deliver the Government's priorities.

Thank you to all colleagues from London, Darlington and Norwich for your hard work and dedication over the past year. Together, we continue to deliver for the prosperity and security of the UK.

James Bowler CB
Permanent Secretary to the Treasury
17 July 2025

Performance Report

Overview

The overview section provides a summary about our organisation, how we are structured, its purpose, key activities and how we have performed.

It sets out the department's vision, mission, and strategic objectives, and explains the main factors that have shaped our work over the past year.

About us

Who we are

HM Treasury is the UK government's economic and finance ministry. We maintain control over public spending, set the direction of the UK's economic policy and work to achieve strong and sustainable economic growth. We have strategic oversight of the UK tax system.

Our Vision

We are committed to ensuring HM Treasury is, and remains, a world-leading economics and finance ministry, known for delivering excellent advice and outcomes for ministers, as we work together to meet new policy challenges as part of a civil service equipped for the future.

Our Mission

To drive sustainable economic growth and maintain robust public finances by providing expert financial management and policy direction, ensuring transparency and value for money, and enhancing the prosperity and stability of every region and nation in the UK.

Our Values

Collaborative

Integrity

Open

Appreciative

We live our values in the way that we approach our work and in the way that we interact with each other.

Read more about what we do here.

How we are structured

The Permanent Secretary to HM Treasury is the Principal Accounting Officer (PAO) for HM Treasury Group. The Permanent Secretary is supported by two[1] Second Permanent Secretaries (one being the Chief Economic Advisor); and Directors General.

HM Treasury Group is made up of the core department and its arm's length bodies (ALBs) which are a combination of executive agencies, non-departmental public bodies (NDPBs), companies and additional bodies. Details of HM Treasury group can be found on page 58.

The Chief Economic Adviser and Directors General lead the six pillars of the department. Reporting to them, are director-led groups, each aligned with the department's strategic objectives. These groups are supported by central functions that operate across all areas, enabling flexible and coordinated delivery of our priorities.

The central functions are our essential enablers

Corporate Centre	Ministerial and Communications	Treasury Legal Advisers
Provides corporate systems, services, solutions and facilities to enable HM Treasury Group to deliver effectively and efficiently. Including practical delivery of the government's operational financing needs, met through the Exchequer Funds team.	Directly supports Ministers and its Executive Management Board, coordinating parliamentary business and professional communications function and its ownership of Treasury governance structures.	(TLA) Provides advisory and other legal services across HM Treasury and certain other agencies and departments.

Our structure as at 31 March 2025 is shown on page 14. Refer to the governance report and the remuneration report for changes to the senior leadership in the year. Our organisation chart can be found here.

1 On 14 May Jim O'Neil was appointed as a new Second Permanent Secretary to the Treasury.

Director-led groups

Business and International Tax Group
Provides strategic oversight of taxes and customs duties, delivering policy change in consultation with stakeholders and managing the UK's international tax relationships and risks to the tax base.

Personal Tax, Welfare and Pensions Group
Leads on tax, benefits, pensions and labour market policy, working closely with departments such as DWP and HMRC to shape the government's relationship with the public.

Strategy, Planning and Budget Group (SPB)
Acts as the central policy function, leading on strategy, resourcing and prioritisation, and supporting the Executive Management Board to bring together departmental objectives into a coherent strategy.

Public Services Group
Oversees public service spending to ensure high quality and value for money, working directly with departments responsible for service delivery.

Public Spending Group
Leads on public spending strategy and public sector pay policy, controlling and reporting on spending, value for money and efficiency, and supporting improvements in government finance and capability.

Economics Group
Provides economic surveillance and macroeconomic advice to inform policy decisions, and promotes professionalism and economic research across government.

Fiscal Group
Ensures fiscal policy supports economic objectives and public finance sustainability, overseeing key financial assets and liabilities and meeting the government's financing needs.

Enterprise & Growth Unit
Responsible for growth-related policy and spending, encouraging private sector investment, innovation, enterprise and the transition to a low carbon economy.

The groups are **Infrastructure & Growth, Companies & Economic Security and Climate, Energy & Environment.**

International Finance and Economic Security Group
Represents HM Treasury at major international forums (G7, G20, IMF) to address global economic challenges including climate, development and debt. It also leads policy on China, Ukraine and international economic security.

International Partnerships and Trade Group
Manages bilateral relationships with key economies including the EU, analyses global economic impacts on the UK, and strengthens UK trading relationships.

Economic Crime and Sanctions Group
Develops and implements financial sanctions policy and tackles economic crime and illicit finance. This Office of Financial Sanctions Implementation ensures sanctions are properly understood, implemented and enforced.

Financial Services Group
Helps to make sure that the UK's financial services sector supports economic growth and meets the needs of consumers and businesses across the country. It also works to keep the UK competitive as a leading global financial centre.

Financial Stability Group
Helps to keep the UK's financial system stable and resilient. By doing this, it supports sustainable economic growth and strong public finances.

Our Strategic Objectives

Strategic Objectives define the key ambitions that shape HM Treasury's work, guiding our priorities and providing a framework to assess progress in managing the UK's public finances and supporting the economy. We have identified three strategic objectives:

SO1: Growth

Deliver economic growth and raise living standards in every region and nation of the UK

SO2: Public Finances

Build and maintain strong public finances while rebuilding and reforming public services to improve public sector productivity and deliver value for money

SO3: Stability

Deliver economic and financial stability to provide certainty for firms and households

Snapshot of activity in 2024-25

April

- Series of statutory instruments laid on tariff policy since April.
- Introduction of reforms to Treasury Approvals Process for public expenditure to ensure that all spending proposals demonstrate value for money and comply with guidance and parliamentary expectations regarding the use of public money.

May

- Sale of NatWest shares via directed buyback, raising £1.24 billion.

July

- Election & new Labour government formed. New government launched Fixing the foundations: public spending audit 2024-25
- Early growth announcements on National Wealth Fund and Pensions Review.

August

September

- Spending Review Phase 1 launched.
- Inflation fell to 1.7%, lowest since April 2021.

October

- Charter for Budget Responsibility published. The Office for Value for Money (OVfM) was established.
- National Wealth Fund officially launched.
- Invest 2035 Green Paper published (jointly with DBT).
- The Chancellor confirmed that she will be making changes to current fiscal rules in order to boost investment
- National Living Wage and National Minimum Wage increases announced for April 2025.

November

- Budget 2024 the first of the new Labour Government.
- Sale of NatWest Group shares via directed buyback, raising £1 billion.
- Get Britain Working White Paper published.
- Call for Evidence on Financial Services Growth and Competitiveness Strategy published.
- Mansion House speech on financial services sector vision.

December

- Chancellor appoints Tom Hayhoe as new Covid Counter-Fraud Commissioner.
- Spending Review 2025, Phase 2 launched.

January

- House of Commons approved the Charter for Budget Responsibility.
- Chancellor travelled to Beijing and Shanghai for the 2025 UK-China Economic and Financial Dialogue.

March

- Chancellor and Ukrainian Finance Minister signed the UK's ERA loan to provide £2.26bn to bolster Ukrainian military capability.
- OBR's March 2025 forecast confirmed government on track with fiscal rules.
- Spring Statement 2025 committed the UK to spend 2.5% of its GDP on defence by 2027 and indicated plans to further increase spending to 3% in the next Parliament.

Our performance against KPIs

This section highlights significant developments, achievements, and risks faced during the year, offering important context for the detailed performance and financial information that follows.

SO1: Growth

Deliver economic growth and raise living standards in every region and nation of the UK

The government is focused on taking long-term decisions to strengthen the economy, by boosting productivity and increasing the number of people in good jobs. Sustainable economic growth is at the heart of everything HM Treasury is working to achieve.

HM Treasury supported the government at Autumn Budget 2024, Spring Statement 2025 and at Spending Review 2025 to deliver a substantial package of measures in support of growing the UK's economy. The OBR has confirmed that recent fiscal events, including Budget 2024, are forecast to have a lasting supply-side effect.

We have provided brief explanation of each key performance indicator (KPI) measure and why it is important for understanding the UK's economic performance.

KPI: Real Household Disposable Income per Capita

This measures the average amount of money each person has available to spend or save after taxes and benefits, adjusted for inflation. This KPI shows real income of the average person in the UK. Rising RHDI per capita means real incomes are rising, giving households more money to spend and save in real terms, while a fall suggests living standards are under pressure.

	2024-25	2023-24
Real Household Disposable Income (RHDI) per capita (%)	2.9%	1.6%

In the financial year 2024/25, RHDI per capita was 2.9% higher than in the financial year 2023/24. When looking at financial years, this was the fastest pace of annual RHDI per capita growth since 2015/16. This robust rate of living standards growth primarily reflects strong labour income growth and a continued rebound from previous living standards contractions.

KPI: Gross Domestic Product per capita (GDP per capita) growth

This measures the change in the average economic output produced per person in the UK over time. This KPI takes into account both the growth of the economy and changes in the population. Rising GDP per capita means, on average, people are better off and living standards are improving. If GDP per capita falls, it suggests that economic growth is not keeping pace with population growth, which can put pressure on living standards.

	2024-25	2023-24
GDP per capita growth (%)	0.4%	-0.9%

GDP per capita fell by 0.9% in 2023-24, as population growth outpaced economic growth. In 2024-25, it increased slightly by 0.2%, meaning people are now a little better off than the previous year.

Source: Office for National Statistics, Labour Force Survey, Office for Budget Responsibility

Related Issues and risks

The below risk around the continued uncertainty and volatility in global markets and among international investors has been assessed as having the greatest potential impact on the delivery of HM Treasury's Growth objective.

Risk	Description	Mitigations
Delivery of the Growth Mission	The Growth Mission is the vehicle through which the government's commitments to economic growth will be delivered. But the growth mission is dependent on wider macroeconomic factors. There is a risk that continuing high levels of uncertainty and volatility in global markets and among international investors could impact the UK's ability to attract the investment needed to deliver growth opportunities. Broader risks to the economic outlook remain, with increased uncertainty, notably around global trade policy, and developments in the Middle East of particular concern.	The government is working to boost investor confidence and secure investment in opportunities across all regions of the UK. We have established a robust growth policy, strategy and delivery architecture to oversee the Growth Mission and drive delivery, including a Growth Delivery Unit, Growth Mission Board and regular reporting and monitoring on key workstreams.

SO2: Public Finances

Build and maintain strong public finances while rebuilding and reforming public services to improve public sector productivity and deliver value for money

The Charter for Budget Responsibility sets out the government's fiscal rules for managing the country's finances. It was published on 30 October 2024 and approved by Parliament on 29 January 2025.

The stability rule (which is the government's fiscal mandate) requires that the current budget must be in surplus in 2029-30, until 2029-30 becomes the third year of the forecast period. From that point, the current budget must then remain in balance or in surplus from the third year of the rolling forecast period, where balance is defined as a range: in surplus, or in deficit of no more than 0.5% of GDP.

Balancing the current budget means that the government's day-to-day spending is met by revenues and so ensures that, over the medium term, borrowing is only for investment. This means future generations will not be burdened with the costs of public services today. The transition to targeting the third year of the forecast will provide a strong anchor for fiscal sustainability, while providing the necessary flexibility to respond to macroeconomic shocks.

The government's fiscal mandate is supplemented by a target to ensure debt, defined as public sector net financial liabilities (PSNFL or net financial debt for short), is falling as a share of the economy by 2029-30, until 2029-30 becomes the third year of the forecast period. Debt should then fall by the third year of the rolling forecast period.

Targeting net financial debt allows the government to deliver a step change in investment spending, while maintaining a strong fiscal anchor. At the Budget last autumn, the government increased capital investment by over £100 billion over the Parliament.

The Office for Budget Responsibility (OBR) confirmed in March 2025 that the government is on track to meet its stability and investment rules. We have provided brief explanations of each key performance indicator (KPI) measure and why it is important for understanding the UK's economic performance.

KPI: Current Budget Deficit (£bn)

This measures how much more the government spends on day-to-day spending than it receives in receipts. It helps show if government spending is sustainable compared to the size of the economy.

	2024-25	2023-24
Current Budget Deficit (£bn)	70.9	61.9

In 2024-25, the **current budget deficit rose** to £70.9 billion, which is an increase of £9.0 billion compared to the previous year

KPI: Public Sector Net Financial Liabilities (PSNFL or Net Financial Debt) as a % of GDP	This shows the total amount of money the government owes, after subtracting its financial assets, compared to the size of the UK economy (GDP). It helps indicate how manageable the government's debt is in relation to the country's overall economic output.

	2024-25	2023-24	
Public sector net financial liabilities (PSNFL or net financial debt) as a % of GDP	82.5%	80.8%	**Net financial debt rose** to 82.5% of GDP in 2024-25, which is an increase of 1.7 percentage points compared to the previous year.

Source: Office for National Statistics

Related Issues and risks

Alongside HM Treasury's Risk Management Framework, the independent OBR is responsible for analysing "the sustainability of the public finances and the risks thereto", as set out in the Charter for Budget Responsibility. In its latest Fiscal Risks and Sustainability report (FRS), published in July 2025, the OBR recognised that the UK economy has been hit by a succession of extraordinary shocks in the last two decades that have left the public finances under strain. The report includes analysis on:

Risk	Description	Mitigations
Pensions	The FRS examines the potential fiscal risks from the UK's pension system, noting the challenges presented by an ageing population.	The Final Report of the Pensions Investment Review was published in May, setting out the government's plans to drive investment and higher returns through large Defined Contribution schemes and reforming the Local Government Pension Scheme to improve sustainability and support regional growth. The next phase of the Pensions Review will focus on the adequacy of pensions outcomes.
Public sector balance sheet	The OBR highlights the risks associated with the public sector balance sheet.	This is why it is more important than ever to have a robust fiscal framework which addresses long-term challenges and provides greater transparency of the public finances. The government announced the Financial Transaction Control Framework at Autumn Budget 2024, ensuring investments either generate a financial return or a clear benefit for taxpayers, and committed to publishing an annual report on the performance of government's financial assets.

Risk	Description	Mitigations
Climate change	Building on previous analysis, the 2025 FRS offers an assessment of the fiscal risks posed by climate change and the transition to net zero, concluding that the UK faces increasing costs from climate-related damage.	One of the government's missions is to make the UK a clean energy superpower by securing our energy supply with home grown, delivering clean power by 2030 and accelerating to net zero across wider sectors of the economy. The Government has allocated £59 billion to net zero spending over the five years from 2025-26 to 2029-30.
Fiscal risk register	The FRS highlights that recent global shocks have resulted in greater uncertainty and fiscal pressures amid a shifting international landscape.	The government recognises these challenges, which is why we have acted decisively to strengthen our partnerships and grow the economy, including through recent trade deals with the US, EU, and India. National security is the first duty of the government, and we have responsibly responded by committing to increase spending on defence to 2.6% from 2027, funded from reductions in the Official Development Assistance (ODA) budget, with an ambition to reach 3% in the next Parliament.

SO3: Stability

Deliver economic and financial stability to provide certainty for firms and households

HM Treasury's management of the macroeconomic framework—including independent monetary policy, responsible fiscal policy, supply side reforms, and robust financial regulation—is central to maintaining macroeconomic stability and supporting sustainable economic growth.

HM Treasury's work internationally

HM Treasury upholds the UK's interests in global macroeconomic and financial stability by promoting strong standards and international collaboration.

HM Treasury represents the UK in major multilateral (G7, G20, FSB) and international financial institutions (IMF, EBRD, AIIB), addressing global economic issues such as climate, development and debt, promoting trade and inward investment, and leading on financial sanctions policy and tackling economic crime.

Through these activities, HM Treasury ensures that global and domestic trade policy priorities are aligned, delivering tangible benefits for the UK.

We have provided brief explanations of each key performance indicator (KPI) measure and why it is important for understanding the UK's economic performance.

KPI:
CPI Inflation

CPI inflation measures how much the prices of everyday goods and services (like food, clothing, and transport) are rising or falling over time. It is based on the Consumer Prices Index (CPI), which tracks the average change in prices paid by households. This KPI helps show how the cost of living is changing and is an important indicator of the health of the UK economy.

	2024-25	2023-24	
CPI inflation	2.4%	5.7%	In 2024-25, the rate at which **prices increased (CPI inflation)** was 2.4%, which is close to the Bank of England's target of 2%. This is much lower than the 5.7% inflation rate seen in 2023-24. The fall in inflationary pressure was partly driven by falling global energy prices and slower wage growth.

KPI:
Aggregate Capital Ratio for the UK Banking Sector (Common Equity Tier 1 Capital Ratio)

This KPI shows how strong and secure UK banks are by measuring the amount of their safest, highest-quality capital (called Common Equity Tier 1 capital) compared to the loans and other assets they hold. A higher ratio means banks are better able to cope with financial shocks and are less likely to get into trouble. This helps protect people's savings and supports the stability of the UK's financial system.

	2024	2023	
Aggregate capital ratio for the UK banking sector (using Common Equity tier 1 capital ratios)	15.9%	15.9%	The latest figures show that UK banks had a **Common Equity Tier 1 capital ratio** of 15.9% at the end of 2024, the same level it was at the end of 2023. This key measure of bank strength is more than three times higher than it was during the financial crisis, and it is well above the minimum required by regulators. This shows that the UK banking sector remains strong and able to cope with financial shocks.

KPI:
Aggregate Liquidity Coverage Ratio for major UK banks

This KPI shows how resilient banks are to significant cash outflows by showing how many High Quality Liquid Assets (HQLA) they have as a percentage of net cash outflows over a 30-day period severe stress scenario. A higher percentage means banks are better able to meet any cash outflows during a financial shock and are less likely to get into trouble. This helps protect people's savings and supports the stability of the UK's financial system.

	2024	2023	
Aggregate Liquidity Coverage Ratio for major UK banks	151.3%	149.0%	The latest figures showed that Major UK banks had a **Liquidity Coverage Ratio** of 151.3% at the end of 2024 compared to 149% at the end of 2023. This key measure of bank strength is well above the minimum required by regulators of 100%. This shows that the UK banking sector remains strong and able to cope with financial shocks.

Source: Office for National Statistics, Bank of England

Key issues and risks

The below risks relating to macroeconomic stability, international outlook, cost of living/inflation, cyber security and technological failures have been assessed as having the greatest potential impact on the delivery of HM Treasury's Stability objective.

Risk	Description	Mitigations
Macroeconomic stability	The government has introduced new fiscal rules to support long-term economic growth and maintain stable public finances, including measures to ensure public spending remains affordable. However, the deterioration in the global risk environment and ongoing global economic uncertainty, as highlighted by the Financial Policy Committee (FPC), pose challenges for the UK and heighten the risk of adverse shocks that could undermine macroeconomic stability.	We are sticking to strong fiscal rules, regularly checking economic data, and working with experts to be ready for any new risks. The government is promoting stability in a risky global environment by maintaining robust standards and a resilient financial system, which supports growth and competitiveness and provides firms, customers, and counterparties with reassurance that they can do business safely and with confidence.
International Outlook	International events continue to impact the UK economy. Ongoing conflict in Ukraine and Gaza has prompted the UK to provide military, humanitarian and economic aid. There is also an ongoing risk from US tariffs and illicit financial flows.	We are continuing to provide support to affected countries, working with other countries, closely watching how international events might affect the UK's economy and co-leading the delivery of the Economic Crime Plan 2023-26.
Cost of Living/ Inflation	High inflation reduces people's purchasing power and creates uncertainty for households and businesses. Although inflation began to fall in 2024–25, there remains a risk it could rise again, impacting the economy, and in turn, the cost of living.	The government continues to support the MPC as it acts to return inflation sustainably to target. We continue to watch price trends carefully and are ready to take further action to help those most affected if needed.
Cyber or Malicious Attack on UK Financial Critical National Infrastructure	Critical National Infrastructure (CNI) provides essential services to the UK economy, such as networks that enable financial transactions to take place. There is a risk that a malicious attack resulting in protracted system failure could threaten the financial stability of the UK or cause significant disruption to the wider UK economy and to consumers.	We have detailed plans in place, regularly practise how to respond to incidents, and work with other authorities, and key partners in the financial sector, to make sure we can respond quickly under the UK's Authorities' Response Framework (ARF). We also invest in making our systems more secure and reliable.

Risk	Description	Mitigations
Technological Failure of UK Financial Critical National Infrastructure	A sustained outage of these systems could threaten the UK's financial stability. Impacts would be felt across the UK economy, and there could also be significant international implications due to the cross-border nature of financial systems.	We have detailed plans in place at both local and national levels, regularly practise how to respond to incidents, and work with other authorities to make sure we can respond quickly under the UK's Authorities' Response Framework (ARF). We also invest in making our systems more secure and reliable.

Performance Analysis

This section provides an overview of HM Treasury's performance during the reporting period, focusing on progress made towards our strategic objectives. It presents an analysis of key achievements and challenges, supported by relevant data and evidence. The aim is to give a clear and balanced assessment of how we have delivered against our objectives, the factors influencing our performance, and the actions we are taking to drive further improvement.

SO1: Growth

Deliver economic growth and raise living standards in every region and nation of the UK

Lead Minister

Chancellor of the Exchequer for period of this report

Lead Officials

Second Permanent Secretaries, Director General, Growth & Productivity

Supporting Arm's Length Bodies (ALBs)

National Infrastructure Commission (NIC)[2]
The NIC provides the government with impartial, expert advice on major long-term infrastructure challenges.

The National Wealth Fund (NWF) (formerly UK Infrastructure Bank)
The NWF is the UK's sovereign wealth fund, deploying funds in partnership with the private sector and local government to support projects

2 On 1 April 2025 National Infrastructure and Service Transformation Authority (NISTA) was formed when it brought together the functions of the National Infrastructure Commission and the Infrastructure and Projects Authority.

The plan

The growth mission

As outlined in the Plan for Change, the aim of the growth mission is to raise living standards across the United Kingdom and deliver 1.5 million homes during this Parliament by promoting stability, boosting investment, and reforming the economy.

The mission is built around seven key pillars:

- economic and fiscal stability – to ensure macroeconomic and financial stability, fiscal stability and policy certainty;
- investment, infrastructure and planning – higher public and private investment and improved infrastructure, alongside planning reform
- place – regional growth through investment, devolution and reform, and support for house building
- people – more people in good jobs, improved employment prospects, skills and productivity
- industrial Strategy and trade – industrial and trade strategies to bolster growth-driving sectors and free, open trade
- innovation – support for scientific breakthroughs, R&D and the diffusion of technologies, including AI
- Net Zero – delivering net zero in a way that supports growth and captures economic opportunities.

HM Treasury is responsible for leading this work, but it is a shared effort with other government departments, public sector bodies, and private sector partners. These priorities have been developed in partnership with business, and backed by a continuous focus on delivery, supported by a new Growth Delivery Unit established in HM Treasury. More information is found here:

https://www.gov.uk/missions/economic-growth

What we are doing to achieve the plan:

Infrastructure and Planning

The National Wealth Fund (NWF) was launched by the Chancellor in October 2024 to act as an "impact investor" for the UK, using public funds to invest in projects that deliver positive outcomes for society and the economy. The NWF's primary focus is on supporting the UK's clean energy sector and industries that will drive future economic growth, directly contributing to HMT's Strategic objective of fostering sustainable economic prosperity.

In the Autumn Budget, the government committed an additional £5.8 billion to the NWF, building on the £22 billion available through the UK Infrastructure Bank. This significant level of investment strengthens our ability to support major projects across the country, particularly those that enable the transition to net zero and boost regional growth.

Although the NWF is newly established, we expect it to play a key role in mobilising private sector investment and accelerating progress towards the UK's climate and economic objectives. We will monitor delivery closely and report on outcomes as the fund becomes operational.

Pensions review

In July 2024, the Chancellor launched a landmark pensions review, led by HM Treasury, to boost investment and improve outcomes for pension savers. The first phase focuses on identifying reforms that will unlock greater investment in productive assets and deliver better long-term returns for savers.

This work supports our strategic objective of strengthening financial security and supporting sustainable economic growth. We will continue to engage with stakeholders and monitor progress to ensure the review delivers meaningful improvements for pension savers and the wider economy.

People

Getting Britain working

HM Treasury has supported a range of measures to boost participation in the labour market and improve workforce skills, central to our strategic objective of fostering sustainable and inclusive economic growth. In November 2024, The Department for Work and Pensions (DWP) published the Get Britain Working White Paper, allocating £240 million to pilot new approaches and gather evidence on tackling ill-health related inactivity and supporting young people not in education, employment or training (NEET).

Further, from April 2025, increases to the National Living Wage and National Minimum Wage are helping to raise incomes for millions of workers, while targeted investments in education—including an additional £300 million for further education and a £2.3 billion increase in the schools budget—are supporting the development of a highly skilled workforce.

Alongside these measures, reforms to employment rights, Carer's Allowance, and expanded funded childcare will help to improve women's participation in the labour market and address pay inequalities. We will continue to monitor the impact of these actions to ensure they deliver improved outcomes for individuals and support long-term economic growth.

Industrial Strategy and Trade

Modern Industrial Strategy

HM Treasury has played a key role in developing the government's new Industrial Strategy, working closely with the Department for Business and Trade. In October 2024, we jointly published the Invest 2035 Green Paper, outlining a long-term vision to support growth in eight priority sectors, of which financial services is one, and inviting evidence on barriers and solutions. Progress is underway through targeted policy reforms and the establishment of the Industrial Strategy Advisory Council to provide expert oversight.

As part of the Industrial Strategy, we launched development of the first Financial Services Growth and Competitiveness Strategy, recognising financial services as a key growth-driving sector as part of the government's Industrial Strategy. These steps support our aim of delivering sustainable, inclusive economic growth across the UK.

Defence Spending

HM Treasury has supported the government's commitment to increase NATO-qualifying defence spending to 2.5% of GDP from April 2027, with an ambition to reach 3% in the next Parliament as economic and fiscal conditions allow. Alongside this, the Treasury has been supporting the Ministry of Defence in progressing their Defence Reform programme, which aims to improve accountability, reduce waste, and maximise value for taxpayers.

HM Treasury has also supported the Ministry of Defence to ensure that the increase in defence spending (see also SO2 and SO3) contributes to the government's growth mission wherever possible, to translates into long-term sustainable economic growth across all nations and regions of the UK.

Financial services

HM Treasury has led major reforms to strengthen the UK's financial services sector and support economic growth, by unlocking innovation and boosting

UK competitiveness, as set out in the Chancellor's November 2024 Mansion House speech.

Key actions include calling for the tech sector to go further in tackling fraud, new measures to maintain the UK's leadership in sustainable finance, driving forward the advice guidance boundary review to help households make well informed choices about their finances and moving to faster next day settlement for securities.

Recent changes to insurance regulation will further encourage investment in the UK. These reforms underpin our commitment to a dynamic and globally competitive financial sector.

Trade

HM Treasury has played a central role in advancing the government's trade agenda, supporting negotiations on free trade agreements by leading on financial services provisions and providing expertise in areas such as customs, tax, and investment. Key trade talks were held with the Gulf Cooperation Council, India, Israel, the Republic of Korea, Switzerland, and the US, and HMT supported the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in December 2024.

As part of our responsibility for tariff legislation, HMT laid seven statutory instruments since April 2024, including business-requested tariff suspensions and changes linked to CPTPP accession. We also contributed to the development of a new UK Trade Strategy, supporting the government's Growth Mission. These actions underpin our commitment to promoting economic growth, enhancing the UK's global competitiveness, and ensuring the benefits of trade are realised across the economy. We will continue to monitor the impact of these initiatives and adapt our approach where needed.

The UK-India Free Trade Agreement is set to significantly boost economic growth by increasing bilateral trade by £25.5 billion, adding £4.8 billion annually to the UK economy, and boosting wages by £2.2 billion each year. The deal offers UK businesses first-mover advantage in India's rapidly expanding market, slashes tariffs on key exports, and provides unprecedented access to India's procurement market, all while fostering collaboration in high-growth sectors like clean energy and digital trade.

Net Zero

Clean Energy Superpower

HM Treasury supports the government's ambition to make Britain a Clean Energy Superpower. The government has committed significant funding to help deliver clean electricity by 2030 and move the UK towards net zero emissions.

Through the Clean Power 2030 Action Plan, we are investing in key areas including Great British Energy, nuclear power, hydrogen, and carbon capture technologies. The National Wealth Fund is also supporting this transition, with at least £5.8 billion allocated to clean energy sectors such as green hydrogen, carbon capture, gigafactories, and green steel production. These investments underpin our commitment to sustainable economic growth and a cleaner energy future, and we will continue to monitor progress towards our 2030 targets.

Green Growth

HM Treasury is supporting the government's Industrial Strategy by enabling investment in growth-driving sectors such as clean energy. Recent planning reforms—including the introduction of simpler Environmental Outcome Reports and the Nature Restoration Fund—are designed to unlock economic growth while upholding environmental standards. Action has also been taken to boost investment by reversing the de-facto ban on new onshore wind in England, approving nearly 3GW of new solar power, and supporting airport expansion in line with climate obligations.

In December 2024, in collaboration with the Department for Energy Security and Net Zero, HM Treasury published the Blended Finance Toolkit to promote innovative funding models for Net Zero investment. The toolkit has been shared across government to encourage greater private sector investment in the UK's climate and growth objectives. These measures underpin our commitment to sustainable economic growth and the transition to Net Zero, and we will continue to monitor their impact to ensure they deliver long-term benefits for the UK economy.

SO2: Public finances

Build and maintain strong public finances while rebuilding and reforming public services to improve public sector productivity and deliver value for money

Lead Minister

Chancellor of the Exchequer
for period of this report

Lead Officials

Second Permanent Secretary
& Chief Economic Adviser

Director General Public Spending,
Director General Tax & Welfare

Supporting Arm's Length Bodies

UK Government Investments (UKGI)
UKGI is a government company and is wholly owned by HM Treasury. UKGI is responsible for managing the government's financial and stewardship interests in a range of state-owned assets. This includes the government's shareholding in NatWest Group (NWG).

National Savings & Investment (NS&I)
NS&I raises government finance via the retail savings market (to complement debt raised via the DMO).

Office for Budget Responsibility (OBR)
OBR was created to provide independent and authoritative analysis of the UK's public finances; the OBR is an Executive Non-Departmental Public Body (NDPB) sponsored by HM Treasury.

Government Internal Audit Agency (GIAA)
GIAA provides assurance to Accounting Officers that financial management practices meet required standards.

Debt Management Office
The DMO's responsibilities include debt and cash management for the government, lending to local authorities and managing certain public sector funds.

The plan

Over the last year, the government has taken action to fix the foundations of the economy, put the public finances on a sustainable path, and support growth. At the Budget last autumn, the government set out a clear fiscal strategy which included fundamentally reforming the fiscal framework by changing the government's approach to spending to support transparency, certainty and stability, and introducing new, non-negotiable fiscal rules. The government has now confirmed its plans for spending within the totals set out at the Spring Statement.

Spending Review 2025 set out the government's plans to invest in Britain's renewal: its security, health and economy. SR25 set departmental budgets for day-to-day spending until 2028-29, and until 2029-30 for capital investment, with total departmental budgets growing by 2.3% across the Spending Review (SR) period. It also sets devolved government block grants for the same period.

What we are doing to achieve the plan:

Efficient Budget and Reviews

Managing public expenditure

HM Treasury has taken significant steps to strengthen public finances and improve value for money. In April 2024, we reformed the Treasury Approvals Process, introducing greater flexibility and proportionate oversight, helping departments deliver projects more efficiently.

We have continued to deliver on Spending Review 2021 commitments while preparing for Spending Review 2025, ensuring a stable and transparent framework for future budgets.

Following a rapid audit of public spending, we identified pressures above planned limits and published a report to drive greater discipline and accountability. These actions underpin our commitment to strong public finances, improved public sector productivity, and better outcomes for taxpayers.

Public Services Reform and Productivity

HM Treasury has strengthened the UK's fiscal framework to maintain strong public finances and deliver value for money. In autumn 2024, the government introduced new fiscal rules—approved by Parliament through the Charter for Budget Responsibility—to ensure borrowing is only for investment and debt falls as a share of the economy.

The Office for Budget Responsibility's March 2025 forecast confirmed that the government is on track to meet these rules, providing a stable foundation for investment in public services while safeguarding fiscal sustainability for future generations.

Independent Budget Oversight

The introduction of the Budget Responsibility Act 2024 ensures that any fiscally significant announcements will be independently assessed by the Office for Budget Responsibility, strengthening fiscal discipline and transparency. Alongside this, HM Treasury has implemented further reforms to the spending framework, enhancing accountability and supporting strong public finances.

Office for Value for Money

The government formally launched the Office for Value for Money (OVfM) at the Autumn Budget 2024, as a time limited body with an initial term of a year. The OVfM comprises a team of c.15 officials in HM Treasury, with an independent Chair. The OVfM's remit includes advising ministers on decisions for Spending Review 2025 (SR25), including through conducting an assessment of where and how to improve efficiency; undertaking value for money studies into two high-risk areas of cross-departmental spending; and scrutinising a subset of capital and invest-to-save proposals to inform advice to the Chief Secretary to the Treasury. In March the OVfM confirmed that it would agree bespoke technical efficiency targets with departments of at least 1% of day-to-day spending for each year of the SR25, underpinned by credible delivery plans.

The OVfM also published terms of reference for two value for money studies and its criteria for scrutinising the value for money of proposed investments.

The OVfM has also been asked to develop recommendations for reforms to improve the value for money of public spending, informed by lessons learned from the past, international best practice and the views of external organisations. The OVfM has begun this work, and made a first recommendation that government should undertake thematic value for money reviews in the years in between biennial spending reviews, which was accepted and announced in January.

The OVfM's budget in 2024-25 was £611,489 and its total spend was within budget at £598,474. Its spend consisted of pay and non-pay spend. It did not procure any external consultancy services.

OVfM Budget analysis

£'000	Q3 Spend	Q4 Spend	Total
Budget			611
Spend:			
Pay	202	393	595
Of which for Chair	*9*	*14*	*23*
Non-Pay	1	2	3
Of which for Chair[3]	–	–	–
Total spend:	**203**	**395**	**598**
Variance			13

Public Sector Fraud

Fraud and error divert vital funding from public services, so HM Treasury has taken targeted action to strengthen controls and protect public spending. During Spending Review 2025, HM Treasury required departments to complete initial fraud impact assessments for the largest programmes across government, and assessed them with support from the Public Sector Fraud Authority. High-risk areas received further scrutiny from a dedicated Counter Fraud Panel, leading to recommendations and conditions to minimise waste.

In December 2024,[4] the Chancellor appointed a Covid Counter-Fraud Commissioner to lead efforts to recover public money lost to pandemic-related fraud, with an initial focus on PPE procurement. HM Treasury also continues to support the UK COVID-19 Inquiry, providing evidence and maintaining transparency to help learn lessons for the future.

Public Sector Pay

A robust public sector pay strategy is central to maintaining strong public finances and rebuilding public services. For 2025-26, the government has accepted the majority of Pay Review Bodies' recommendations in full, meaning we have delivered two successive pay rounds where public sector workers such as the NHS, teachers, and armed forces, have received a real-term wage increase.

This supports recruitment and retention, providing a foundation for workforce reform. HM Treasury has taken steps to ensure future pay awards remain fiscally sustainable, underpinning value for money and long-term public service improvement.

Tax policy

HM Treasury and HM Revenue and Customs (HMRC) have worked closely across the Policy Partnership to implement a number of important changes to the tax system.

3 Non-pay for the Chair was £nil in Q3 and £128 in Q4.
4 At the end of the one-year fixed term, the Commissioner will provide a report to be presented to Parliament. This review will generate lessons and recommendations for government procurement in the face of future crises.

The Autumn Budget 2024 included a number of measures that raise sustainable revenue to fund the government's priorities, whilst making the tax system fairer. This includes removing the outdated concept of domicile status from the tax system, reforming the tax treatment of Carried Interest, raising the higher rate for additional dwellings of Stamp Duty Land Tax, making changes to the Energy Profits Levy to ensure that oil and gas companies contribute to the clean energy transition, removing business rates charitable relief for private schools, ending the VAT exemption on their fees, increasing Capital Gains Tax, extending the freeze to inheritance tax thresholds and wider inheritance tax reforms, and changes to Employer National Insurance Contributions.

It also included measures that further ensure the tax system is sustainable, such as uprating Air Passenger Duty rates and the Soft Drinks Industry Levy to account for inflation.

A sustainable tax system ensures that people pay the tax that they owe – across Autumn Budget 2024 and Spring Statement 2025, the government has delivered the most ambitious package to close the tax gap, investing to modernise and reform HMRC's systems and legislating to close loopholes.

Legislation was passed to give effect to certain policy changes above through the Finance Act 2025.

Government Finance Function

HM Treasury sponsors the Government Finance Function (GFF), supporting over 10,000 finance professionals across government to strengthen financial management and deliver value for money.

In 2025, the GFF launched a new strategy to harness data, develop skills, and drive innovation, underpinned by robust financial standards and continuous improvement tools. Key achievements include rolling out the NOVA data model for benchmarking, launching a new career framework, and enhancing financial reporting and controls.

The Government Debt Management Function

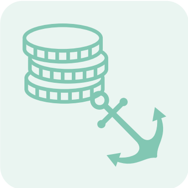
The Government Debt Management Function has supported the recovery of over £120bn of debt, launched the world's first Debt Fairness Charter, and driven improvements in debt management across departments.

The Risk Management Centre of Excellence

The Risk Management Centre of Excellence has provided training, improved risk guidance, and promoted best practice, helping to embed strong risk management across government. These actions support HM Treasury's strategic objective to improve public sector productivity and deliver value for money for taxpayers.

Supporting Scotland, Wales and Northern Ireland

During 2024–25, HMT supported strong public finances across the UK by delivering funding settlements for the **Scottish Government** (£45.8bn), **Welsh Government** (£20.4bn), and **Northern Ireland Executive** (£17.7bn), each receiving at least 20% more funding per person than comparable UK government spending in the rest of the UK. Targeted investments, such as £50m for the Falkirk and Grangemouth Growth Deal and £80m for the Port Talbot and Tata Steel Transition Board, aimed to support economic transformation and public service reform. HMT engaged regularly with devolved governments through the Finance: Interministerial Standing Committee, strengthening intergovernmental collaboration.



SO3: Stability

Deliver economic and financial stability to provide certainty for firms and households

Lead Minister

Chancellor of the Exchequer
for period of this report

Lead Officials

Second Permanent Secretary
& Chief Economic Adviser

Director General Financial Services

Director General International

Supporting Arm's Length Body

The Bank of England
The Bank of England has specific statutory responsibilities for setting monetary policy, protecting and enhancing financial stability, and subject to those, to support the economic policy of the government, including its objectives for growth and employment. It is operationally independent from HM Treasury.

The plan

The Government's plan to deliver economic and financial stability focuses on maintaining low and stable inflation, supporting sustainable growth, and strengthening the resilience of the UK's financial system. By working closely with the Bank of England, regulatory bodies, and international partners, the government aims to ensure that firms and households can operate with greater certainty, even in the face of global challenges.

The approach includes robust macroeconomic management, advancing international standards, targeted regulatory reforms, and proactive measures to address emerging risks. Through ongoing monitoring and agile policy responses, HM Treasury remains committed to safeguarding economic security and promoting confidence across the UK economy.

What we are doing to achieve the plan

Macroeconomic Framework Management

During 2024-25, inflation fell to its lowest rate since April 2021 (1.7% in September 2024), before rising slightly due to external and one-off domestic factors. Overall, inflation was significantly lower than in 2023-24, indicating progress towards economic stability.

The Bank of England's Monetary Policy Committee responded to moderating inflationary pressures by reducing the Bank Rate. GDP growth resumed after the 2023 recession, though remained modest, reflecting both domestic and global challenges.

While these trends indicate improved stability, continued global risks and subdued growth suggest ongoing uncertainty for firms and households. The government will continue to monitor these risks and adapt policy as needed.

International Leadership

In 2024-25, HM Treasury collaborated with other departments and major economies to promote UK growth and monitor global economic policy changes to address emerging risks — helping to provide certainty for UK firms and households and enhance economic and financial stability. HM Treasury holds regular Economic and Financial Dialogues (EFDs) with key economies, at Ministerial and senior official level, as well as dialogues on financial services regulatory issues.

In the G7 and G20, HM Treasury has advanced UK priorities and advocated for a focus on the levers relevant to achieving global growth, working with the Bank of England and as co-chair of the G20 Framework Working Group. In the G20 HM Treasury promoted the Capital Adequacy Framework which is expected to unlock significant Multilateral

Development Bank financing supporting economic resilience, and highlighted the importance of private capital mobilisation to support development goals.

HM Treasury played a leading role in the G7's Extraordinary Revenue Acceleration initiative, which will provide approximately $50bn for the benefit of Ukraine, through a series of bilateral loans from the G7 to be repaid by extraordinary revenues stemming from the immobilised Russian sovereign assets held in the EU's jurisdiction. The UK's ERA loan will provide £2.26 billion to bolster Ukrainian military capability, with £1.5bn disbursed to date. These efforts, alongside committing to provide £3bn in annual military aid and £1.6bn in UKEF-backed support, have enhanced Ukraine's resilience and contributed to global stability.

As of 31st March 2025, £753m of cash had been advanced to Ukraine under this agreement. The further £1,505m to Ukraine is due to be drawn in equal payments in April 2025 and April 2026, subject to qualifying conditions being met. See page 171 of the financial statements for more information.

HM Treasury's work with the FCDO and international partners to strengthen sanctions and amplify pressure on Russia's economy has further supported efforts to mitigate the economic risks of the conflict. The Office of Financial Sanctions Implementation (OFSI) has made transformative improvements in its tools, processes, and intelligence to enhance its implementation and enforcement capabilities. These investments are beginning to pay off, resulting in penalties linked to Russia's invasion of Ukraine.

Financial Stability Framework

During 2024–25, HM Treasury advanced regulatory reforms to address risks in market-based finance, working closely with the Bank of England and FCA to safeguard the UK's financial system. The implementation of Smarter Ring-Fencing Reforms has made the regime more proportionate while maintaining financial stability safeguards. The enactment of the Bank Resolution (Recapitalisation) Act 2025 will further enhance the UK's ability to manage financial firm failures, protecting consumers and the wider economy.

Over the financial year, HM Treasury's shareholding in NatWest Group reduced from c.30% to c.4%, with sales raising total proceeds of £8.2 billion. This further reduced taxpayer exposure from the 2007–09 financial crisis and supported delivery of the objective of returning the bank to full private ownership which was achieved after this reporting period, with the final sales of shares occurring on 30 May 2025. HM Treasury has continued work to strengthen the resilience of the financial sector – as one of the UK's Critical National Infrastructure sectors – to risks such as hostile state activity, cyber-attacks, and technological failure. HM Treasury worked closely with the other financial authorities, the National Cyber Security Centre, industry, and international partners to prepare and respond to incidents causing operational disruption, including participating in and deriving lessons from exercises such as SIMEX24. A new Critical Third Parties regime will also support the wider sector against cyber and operational risks.

2024 Autumn Budget

The Chancellor presented the Autumn Budget to Parliament on 30 October 2024, outlining the estimated impact of changes to tax, welfare, and public service spending on households. The Budget supports all three Priority Outcomes.

Growth: The government announced targeted investments to boost growth sectors, including: £975 million for the aerospace sector over five years, £2 billion over five years for the automotive sector (including zero emissions vehicle manufacturing), up to £520 million for a new Life Sciences Innovative Manufacturing Fund, and £15 billion in tax reliefs over five years for the Creative Industries.

Employment and Inactivity: To drive economic growth, funding was prioritised to help more people into work. This included record capital investment in health to reduce the elective waiting list in England, and an additional £1.8 billion to expand government-funded childcare for working parents in England—bringing total childcare spending to over £8 billion by 2025-26.

It was announced that from the 1 April 2025 the **National Living Wage** will rise by 6.7% to £12.21 per hour for eligible employees aged 21 and over. The 18-20 National Minimum Wage will also increase by 16.3% to £10.00 per hour, moving towards a single adult wage for those aged 18 and over.

An extra £300 million was provided for further education in England, and the core schools budget increased by £2.3 billion, boosting per pupil funding in real terms. Skills England was also established to support a highly trained workforce.

Financial Services: The Chancellor announced a new permanent Mortgage Guarantee Scheme to support 95% loan-to-value lending, helping first-time buyers. Further details will be provided in Phase 2 of the Spending Review.

Managing Public Expenditure: Phase 1 of the Spending Review set departmental budgets for 2024-25 and 2025-26, with total departmental spending growing by 4.3% per year in real terms between 2023-24 and 2025-26, supporting investment and public services.

Office for Value for Money (OVfM): The Chancellor established the OVfM in October 2024 to support a focus within government on realising benefits from every pound of public spending. It was tasked with making targeted interventions at Spending Review 2025 and developing recommendations for reforms to improve the value for money of public spending.

Raising revenue to fund the government's priorities, whilst making the tax system fairer: including increasing the rate of employer national insurance contributions, reforming inheritance tax reliefs, reforming the non-domicile regime, raising the higher rate for additional dwellings of Stamp Duty Land Tax and making changes to the Energy Profits Levy.

Mansion House

On 14 November 2024, the Chancellor set out in a speech at Mansion House the government's vision to grow and enhance the competitiveness of the UK's world-leading financial services sector.

Pensions review: the Government published an interim report of the pensions review (phase one) and launched two consultations. One consultation on defined contribution workplace pension schemes and the other on the Local Government Pension Scheme. The Chancellor set out the main proposals in these consultations, to create fewer, larger pension schemes more able to invest in productive assets and improve outcomes for members.

Financial services: the Chancellor set out the Government's vision for the financial services sector to realise the UK's growth and competitiveness potential based on increasing private investment and reforming the economy. Announcements included a policy framework to maintain the UK's leading role on sustainable finance. Publishing the National Payments Vision setting out the long-term vision for UK payments. Issuing new remit letters to the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Payment Service Regulation (PSR) making clear the importance of facilitating growth and international competitiveness. Work to reform the Financial Ombudsman Service, publishing a consultation on a new approach to captive insurance, and committing to deliver further legislative changes to the Markets in Financial Instruments Directive (MiFiD) Framework, so the FCA can deliver more proportionate and agile rules.

Building a Stronger Treasury

What we are doing and why it matters

At HM Treasury, we are working on a range of internal improvements to make sure we have the people, tools, and ways of working needed to deliver the best outcomes for the UK public. These improvements align with the wider Civil Service Modernisation agenda and support our aim to remain a world-leading economics and finance ministry.

These priorities are anchored in the One Treasury Vision and Strategy and essential to the department's success in remaining a world leading economics and finance ministry. To help us focus our efforts, we have grouped our work into four main areas:

1. **Innovation, technology and data**: Making better use of new technology and data to improve how we work.
2. **Delivery, evaluation and collaboration**: Ensuring we deliver on our goals, learn from what works, and work well with others.
3. **Sustainability**: Embedding long-term thinking and responsible practices in everything we do.
4. **Workforce, skills and location**: Making sure we have the right people, skills, and a presence in the right places to meet the UK's needs.

These focus areas are essential for us to continue delivering high-quality work for the country, now and in the future.

Innovation, technology and data: data science

In 2024-25, the HM Treasury Data Hub launched our data strategy, supported by a new data management branch and a renewed focus on data science projects. The Hub launched the Hawkeye data service, which now automates economic data collection, and has expanded the platform to include regular economic analysis products.

The Hub has broadened our AI toolset, including rolling out HERMES (a coding tutor, currently in testing) and integrating AI solutions into Hawkeye. Data literacy initiatives have been developed and rolled out, enabling wider use of Hawkeye and data capability across the department. The Hub also hosted our largest hackathon, with around 200 advanced coders participating.

To support government spending, the Hub delivered a more digitised Spending Review, including a bespoke data collection portal, a Fiscal Events Database (FED) dashboard, and a range of models covering preventative policy spending, Gross Domestic Product (GDP), and cash flow forecasting. The year has focused on product delivery and embedding these tools and skills throughout the department. Work is ongoing to transition products to regular service and to collaborate cross-governmentally on AI tools and innovation.

Delivery, evaluation and collaboration

HM Treasury aims for all government policy, programmes and projects to be evaluated proportionately and effectively, using robust analysis to inform decision making.

With a renewed focus on delivery, HM Treasury is prioritising translating strategic growth ambitions into measurable outcomes through driving accountability, unblocking barriers and sustaining momentum with rigorous oversight and cross-government coordination. This includes close collaboration with departments across Whitehall to ensure delivery is not only tracked but actively supported and accelerated.

The Growth Delivery Unit (GDU) was established in July 2024 at ministerial request to drive delivery of the UK Government's growth priorities. It plays a central role in supporting the Growth Mission by working across departments to ensure delivery is focused, data-informed and accountable. The GDU monitors delivery progress using internal tracking tools, which are regularly updated by departments and used to generate dashboards. These tools provide data-driven insights into performance, risks and milestones. GDU uses established escalation routes to unblock challenges and maintain momentum to ensure that delivery is both monitored and actively driven in partnership with departments.

Sustainability

HM Treasury recognises our potential to impact the environment positively or negatively, directly, or indirectly, through our policy development and operations.

Developing sustainability and climate related reporting in the public sector
Transparency in sustainability and climate related reporting ensures decision makers have the information they need to assess and manage climate-related risks.

Embedding sustainability in policy making We are committed to ensuring climate and environmental considerations are embedded into fiscal decision-making, including at spending reviews and fiscal events, to support the efficient allocation of resources to deliver the government's objectives. HM Treasury assesses all measures at fiscal events, which informs advice to Ministers on areas of large impact and where there are mitigation opportunities.

Task Force on Climate-related Financial Disclosures Framework (TCFD) Compliance Statement

Within this 2024-25 Annual Report and Accounts, the department has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance which interprets and adapts the framework for the UK public sector.

HM Treasury does not consider climate to be a principal risk, and has therefore complied with the TCFD recommendations and recommended disclosures on:

1. governance (all recommended disclosures)
2. Risk Management – recommended disclosures (a) to (c)
3. metrics and targets (disclosure (b)).

This is in line with the central government's TCFD-aligned disclosure implementation timetable. The department plans to make disclosures for Strategy, in future reporting periods in line with the central government implementation timetable. See Annex B for more detailed information regarding sustainability.

The progress that the department is making towards the strategy pillar of TCFD aligned disclosure implementation is detailed on Page 223.

Workforce, skills, location

Building a Modern and Inclusive Treasury

Our Vision and Approach

Contributing to a productive and agile state, including through HM Treasury's Corporate Strategy Our vision is that HM Treasury is a department which embodies the Civil Service values of honesty, integrity, impartiality and objectivity. Underpinned by a diverse, inclusive, innovative workforce and culture that creates an environment for all staff to thrive. A departmental vision and strategy (One Treasury), with robust governance and regular staff consultation has been implemented.

Connecting Reform Across the Civil Service

In order to help staff understand the collective ambition of reform across the wider civil service, in departmental communications we link together One Treasury with A Modern Civil Service. Through this we show colleagues what reform means for them, so that all our staff understand the change, how they can support and how this relates to our collective ambition.

Investing in People and Skills

HM Treasury is committed to building a skilled, inclusive, and agile workforce. Our **People Strategy** prioritises investment in staff capability, wellbeing, and diversity—ensuring all colleagues can thrive in a flexible and empowering environment. Policy and corporate functions are strengthened through collaboration across disciplines, drawing on diverse perspectives to support effective ministerial advice. Diversity and inclusion are embedded across HR practices, with actions on gender pay, inclusive recruitment, and targeted talent programmes. Workforce diversity is actively monitored in line with Civil Service benchmarks. For more information see page 97 of the staff report.

Health, safety and wellbeing

HM Treasury actively promotes the health, safety and wellbeing of its staff. Mental wellbeing guidance and details of support[5] available are regularly communicated to all HM Treasury employees.

Fewer than five work-related accidents, near misses or ill health reports were received in the reporting period. None were reportable to the Health & Safety Executive under the Reporting of Injuries, Diseases, or Dangerous Occurrence Regulations 2013. A new eyecare contract was implemented to ensure HM Treasury remain compliant with the Health and Safety (Display Screen Equipment) Regulations 1992. HM Treasury has prepared a new fire evacuation marshal process in London.

Reward and recognition

In line with other government departments, HM Treasury's pay award in 2024-25 ensured all eligible colleagues in delegated grades received a pay award of 5%. HM Treasury complied with the independent Senior Salaries Review Body (SSRB) recommendations and applied an across-the-board increase for all SCS of 5% from 1 April 2024.

HM Treasury de-merged our legacy 'Range D' grade to implement the Civil Service standard 'Higher Executive Officer (HEO)' and 'Senior Executive Officer (SEO)' grades. In doing so we were able to deliver greater flexibility for progression, retention and attraction. Alongside this, we ensured the competitiveness of our graduate programme was improved within the 2024-25 pay remits.

HM Treasury rewarded staff that met and exceeded their performance targets. In line with practice across the Civil Service and the private sector, HM Treasury also recognises in-year performance through occasional special non-consolidated awards paid in-year, to recognise exceptional performance for specific contributions or pieces of work.

Commitment to Fair Pay and Diversity

HM Treasury annually publishes the gender pay gap report for the department, referred to as 'core' in the publication, and HM Treasury Group, referred to as 'group' in the publication. Considerable progress has been made in recent years however in the most recent report the pay gap for HM Treasury core widened slightly with a mean and median gap of 4.1% and 10.5%, respectively, representing marginal increases of 0.8 and 2.6 percentage points. HM Treasury remains committed to improving the gender pay gap, taking forward gender representation at all grades and considering the use of allowances.

All candidates can request reasonable adjustments to enable them to participate fully in the recruitment process. Candidates do not have to apply through the Disability Confident Scheme (DCS) to request adjustments. We are committed to creating an open and accessible recruitment process and supporting adjustments for all candidates is a key driver for promoting diversity and inclusivity within our recruitment practices.

5 Support includes Mental Health First Aiders, Treasury Supporters, Group Wellbeing Champions and the Employee Assistance Programme contract. The service provided awareness information and counselling sessions as appropriate.

HM Treasury has developed a capability and talent offer ringfenced to colleagues from underrepresented groups, including colleagues with disabilities. The offer, which combines HM Treasury specific and Civil Service wide programmes, is made available to staff annually.

HM Treasury's capability and talent offer looks to accommodate the accessibility requirements of staff with learning resources and e-learning modules presented in different formats, and a variety of facilitation styles and adjustments available for the facilitator-led sessions.

Recruitment and Expanding Opportunities

Recruitment in the last year included 365 recruitment campaigns launched between 6 April 2024 and 18 February 2025, covering 408 available posts. 375 of these posts were available in Darlington.

- 4 new permanent Director appointments at SCS2
- 169 SEO posts advertised across 149 recruitment campaigns, following the introduction of the SEO grade
- 34 policy advisor graduates at HEO (62% placed in Darlington)
- 5 Fast streamers (100% placed in Darlington) and 12 other graduates

The GDP (Graduate Development Programme) saw the highest level of applications on record with a 26% increase in applications to Darlington.

The recruitment campaign for a third Second Permanent Secretary launched on 17 December 2024 and we have since appointed Jim O'Neil.

Following the launch of the National Infrastructure and Service Transformation Authority (NISTA) on 1 April 2025, we announced the appointment of Becky Wood as the Chief Executive Officer.

Investing in Skills and Development

Learning, development and skills HM Treasury invests in its people to develop the skills and capabilities required to respond to the evolving needs of the organisation. Throughout 2024-25 a range of corporate Learning and Development initiatives were delivered. The department continues to invest in policy-making capability with flagship programmes including Policy Basecamp, the Policy Leadership Programme and the Graduate Development programme. The department offers a range of external qualifications in policy, economics and analytics.

Approximately 6.9% of HM Treasury's headcount is undertaking an Apprenticeship, above the 5% target departments were set. HM Treasury will continue to invest in leadership and management in 2025-26 and expand its Apprenticeship offer.

Listening to Our People

People survey HM Treasury uses the annual Civil Service People Survey results as an indicator of progress. The Employee Engagement Index, a key indicator of staff opinion, was 69% (67% in the prior year and 5% above the Civil Service benchmark of 64%). We continue to enjoy strong scores across key metrics when compared to the Civil Service benchmark. This year saw an increase in the Learning and Development scores, which correlates with the investment in leadership and management capability across the department. 65% of respondents also said that they feel involved in the decisions that affect their job, 5% higher than the Civil Service benchmark.

Expanding Decision-Making Beyond London

Building a Regional Presence

Over the 2024-25 financial year, HM Treasury has continued to make substantial progress towards our ambition of expanding decision-making outside of London. The Darlington Economic Campus (DEC) continues to grow with over 1,050 roles across seven departments and organisations, including HM Treasury.

Growing HM Treasury in Darlington

Significant progress has been made establishing HM Treasury's own presence at DEC. As at the 31 March 2025 the department had 340 Full-Time Equivalent

(FTE) members of staff in the DEC, just above the publicly declared target of 335 FTE.

During 2024-25, around 75% of new Darlington starters were not Civil Servants before they joined HM Treasury. Since opening, 54 HM Treasury staff have relocated to the Darlington office. We have fully embedded a multi-site working culture in HMT, taking a microcosm approach to building our Darlington workforce, meaning we have representation from all policy areas. The campus includes HM Treasury roles at all grades, including a Second Permanent Secretary and a Director General.

Investing in New Facilities

Feethams House continues to operate as the DEC's temporary home; however, considerable progress has been made establishing a new hub on the site of a former car park at Brunswick Street. Having received planning permission for a five-story, 10,000 square metre hub, full construction is expected to begin in January 2026, with completion in late 2027. HM Treasury has played a key role as lead client department and once completed, the building will have a full range of facilities to support delivery of HM Treasury and other government functions in the region.

Case Study: Darlington Economic Campus (DEC)

Several external studies have highlighted the DEC as a successful model for civil service relocation and regional development. The Places for Growth Formative Evaluation Report highlights that DEC exceeds Civil Service averages for senior roles outside London and has influenced the creation of other regional hubs in cities such as Sheffield and Manchester. The Institute for Government recognises the DEC's role in diversifying talent, reshaping policymaking. The Drees & Sommer Evaluation Report notes the DEC's positive impact on local communities and businesses – driving economic growth, job creation and contributing to levelling up deprived areas.

DEC hosted the first Growth Mission Board outside of London in December 2024, with a specific focus on Place, the Chancellor chaired an insightful session on driving economic growth and improving living standards for working people. This included a Chancellor-led Mayoral Roundtable, with nine mayors in attendance at DEC.

DEC also hosted the Treasury Select Committee for the first time in February 2025, titled 'The Work of the Treasury'. Alongside the committee meeting, we also facilitated a roundtable with DEC-based apprentices to discuss their experiences of apprenticeships in the Civil Service. This included a staff engagement session to discuss the benefits of cross-departmental collaboration in DEC.

DEC has engaged in over 200 outreach and engagement events in the region to date, including many local and regional careers and jobs fairs. Over 100 young people have come into the campus for a range of work experience and internship events in the second half of 2024. We continue to deliver policy taster sessions in schools and colleges in the local area.

More than 750 university students were involved in DEC Outreach in 2024. Students spoke to DEC employees at numerous graduate recruitment events at regional universities, more than doubling the number of applications for the HMT graduate programme this year.

DEC also runs a series of 'policy challenges', which give students at schools and regional universities the opportunity to engage with economic policy questions during their studies. In particular, they are designed to give students real life experience of careers in policy.

We are working to bring new policy insights into the department through engagement between policy teams and relevant regional stakeholders. Over the last year this has included roundtables on labour market inequality, productivity, pensions, savings, and economic activity.

DEC has built a strong relationship with the local authority, holding regular senior meetings with business and private sector bodies including the Northeast Confederation of British Industry, Chamber of Commerce, and the Federation of Small Businesses.

Other corporate reporting – Transparency and scrutiny of performance

HM Treasury welcomes scrutiny, whether from Internal Audit, the National Audit Office, Members of Parliament or members of the public.

Detail	Performance
Scrutiny by internal audit – the Government Internal Audit Agency. The 2024-25 annual internal audit plan for the department was developed through consultation with HM Treasury's senior management team and discussed by Directors and Executive Management Board. The Audit and Risk Committee approved the audit plan for 2024-25 in March 2024.	By 31 March 2025, Internal Audit completed 18 audits and issued 18 assurance reports providing 54 recommendations, and 4 pieces of advisory work for the department*. The outcomes of this work are used to inform the Head of Internal Audit Annual Report and Opinion, see page 77 for more information. Updates on the assurance reports and the implementation of recommendations have been provided to ARC on a six-monthly basis. * 7 audit reports providing 20 recommendations were published in 2024/25, these were from the 2023/24 audit plan.
The National Audit Office The department welcomes the NAO's objective and independent commentary on its work and is diligent in responding to recommendations arising from Public Accounts Committee hearings following NAO reports.	During the year, the National Audit Office completed and published several cross-government reports and the following reports specifically relevant to HM Treasury: • Progress on the Buckingham Palace Reserving programme (value for money) • A planning and spending framework that enables long-term value for money (Insight – lessons learned) • HM Treasury 2023-24 (Departmental overview) • Whole of Government Accounts 2022-23 (Financial audit) • How the NAO provides good assurance on good governance and propriety 2023-24 (topic overview) • Private finance for infrastructure (Insight – lessons learned)
Scrutiny by Parliament Treasury ministers and officials are committed to providing timely and quality responses to Parliamentary Questions.	From 1 April 2024 to 31 March 2025 HM Treasury ministers responded to 98.7% of the 3,393 Parliamentary Questions received on or before their parliamentary deadlines. Ministers responded to debates, oral questions and urgent questions through the year. During the year ministers and officials also gave evidence to a range of inquiries conducted by the Treasury, Public Accounts, Environmental Audit, and Lords Economic Affairs Committees.

Detail	Performance
Scrutiny by Public Treasury ministers and officials are committed to providing a timely and quality responses to all correspondence and enquiries.	In the calendar year of 2024, HM Treasury replied to 6,373 enquiries from MPs (ministerial correspondence) and of those 52% of replies to MPs were within HM Treasury's 20 working day deadline.[6] The increase in response times was primarily due to a significant rise in the volume of correspondence following the change in government and subsequent fiscal developments. However, since the reporting period, the average number of days taken to respond to ministerial correspondence has decreased. HM Treasury replied to 2,123 enquiries direct from members of the public treated as official correspondence and of those 70% of replies were within HM Treasury's 20 working day deadline.
Data Subject Access Requests (SAR) Individuals have the right to access and receive a copy of their personal data as a subject access request or 'SAR'.	In the calendar year of 2024, HM Treasury received 23 data subject access requests which were considered under the terms of the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 (DPA 2018). Of these requests, 74% were completed within the statutory deadline. Actions are in train to return this compliance rate to within risk appetite.
Parliamentary and Health Service Ombudsman (PHSO) PHSO can investigate complaints about the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf.	Ten complaints were made to the PHSO regarding HM Treasury during 2024-25, but none of these were taken forward for investigation.
Non-financial information	During the 2024-25 financial year, HM Treasury had no reportable incidents relating to anti-corruption and anti-bribery matters. Issues of social matters and respect for human rights are addressed through this report's separate disclosures on diversity and disability.

House of Commons Treasury Committee	
Budget 2024	6 November 2024
Work of the Office of Financial Sanctions Implementation	26 November 2024
Work of the Office for Value for Money	11 December 2024
Work of HM Revenue and Customs	15 January 2025
Acceptance of Cash	28 January 2025
Work of HM Treasury	12 February 2025

Source: Treasury Committee

House of Commons Public Accounts Committee	
Whole of Government Accounts 2021-2022	15 May 2024
NHS financial sustainability	25 November 2024
Whole of Government Accounts 2022-2023	23 January 2025

Source: Public Accounts Committee

6 Last year we reported: "In 2023 overall 62% of replies to MPs were within HM Treasury's 20 working day deadline." The correct figure is 64%.

House of Lords Financial Services Regulation Committee	
FCA and PRA's secondary objective on growth and competitiveness	5 February 2025
Source: Financial Services Regulation Committee	

House of Commons Environmental Audit Committee	
The Role of natural capital in the green economy	20 May 2024
Source: Environmental Audit Committee	

Financial Review

Financial review[7]

This section provides an overview of HM Treasury's finances for the 2024-25 financial year. It explains how public money has been managed, spent, and allocated within the department. The review highlights key financial results, major areas of expenditure, and how HM Treasury has worked to ensure value for money for taxpayers. Our aim is to present a clear picture of our financial position and performance, and to show how our resources have supported the department's priorities and the wider public good.

A Balance sheet

- A balance sheet is a financial statement that shows what an organisation owns and owes at a specific point in time. It gives a snapshot of the organisation's financial position.
- A balance sheet is divided into three main sections:
    1. Assets – These are things HM Treasury owns or controls that have value. i.e. cash, buildings, equipment and money owed to HM Treasury.
    2. Liabilities – These are amounts HM Treasury owes to others. i.e. loans, unpaid bills, and money owed to suppliers.
    3. Equity (referred to as "net assets" in Public sector) – This is the value left over after liabilities are subtracted from assets.

A balance sheet helps people understand the financial health of an organisation and is used to make informed decisions about managing money and resources.

HM Treasury's Balance sheet

Over the past decade, HM Treasury's balance sheet has shifted from showing more assets than liabilities to a position where liabilities have increased. This change is mainly due to government actions taken to support economic stability and other policy decisions.

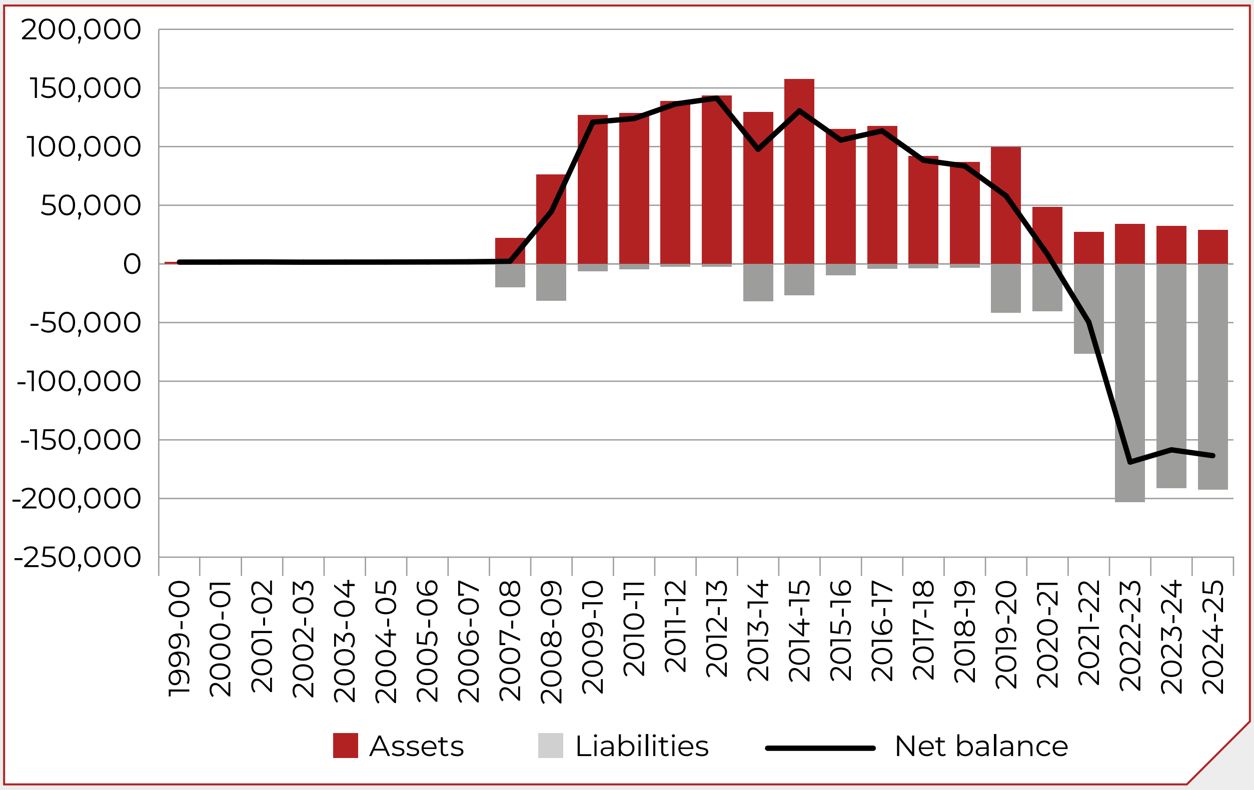
Before the financial crisis, HM Treasury's balance sheet was relatively small, with assets between £1.5 billion and £2 billion, mostly made up of investments in the Bank of England. During the financial crisis, the government made large financial interventions, increasing assets to £125 billion by 2009-10.[8] Since then, most of these assets have been disposed of, with the final sale of HM Treasury's shares in NatWest Group taking place shortly after the end of this reporting period, on 30th May 2025. At 31 March 2025 assets within the departmental group mostly consist of cash and cash equivalents, equity investments, loans and investment securities and trade and other receivables. For more information see the Statement of Financial Position and the associated notes.

A key factor affecting the balance sheet is the Bank of England Asset Purchase Facility Fund (BEAPFF), created in 2009 to support the Bank's quantitative easing programme. HM Treasury guarantees the BEAPFF, meaning it is responsible for any financial gains or losses. Since 2015-16, the BEAPFF has been the largest single item on HM Treasury's balance sheet, and from 2021-22, it moved from being an asset to a liability. At 31 March 2025 the derivative balance is £171.9bn, for more information see Note 13 – Derivatives.

7 The Financial review is not subject to audit.
8 This increase was largely due to the acquisition of shares in banks including, NatWest, Lloyds, Northern Rock, and Bradford & Bingley, as well as significant loans to some of these institutions.

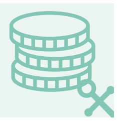
Additionally, the UK's exit from the European Union has had a significant impact on the balance sheet. HM Treasury is responsible for managing the financial rights and obligations with the EU that were set out in the Withdrawal Agreement, covering the transition period and beyond. At 31 March 2025 the net liability is £7.0bn, for more information see Note 15 – EU Financial Settlement.

Figure 1: History of HM Treasury balance sheet £m



Financial risks

As part of its work, HM Treasury faces a range of risks, including financial risks linked to the activities mentioned earlier.



Careful monitoring and management of these risks help us achieve our aim of keeping the UK's economy and financial system stable. HM Treasury uses a Risk Management Framework, which means we have processes in place to identify, assess, and reduce these risks wherever possible.

The table on the following page gives a summary of the main financial risks HM Treasury faced during the reporting year. More information about how we manage these risks can be found in the Governance Statement and in Note 17 – Financial Risk.

Summary of key financial risks

Type of risk	Relates to	Carrying amount (£bn)	Note to the Accounts
Credit risk	Loans and investment Securities	7.6	12
Credit risk	Financial guarantees	(0.2)	16
Price risk	NatWest shareholding	1.3	11
Market risk	Bank of England Asset Purchase Facility Fund	(171.9)	13
Market and currency risk	EU financial settlement net assets	2.5	7 & 9

Figures 2 & 3 shows the total assets, liabilities and net asset position for 31 March 2025 and the prior year.

Figure 2: HM Treasury Group Assets as at 31 March 2025 (£bn)

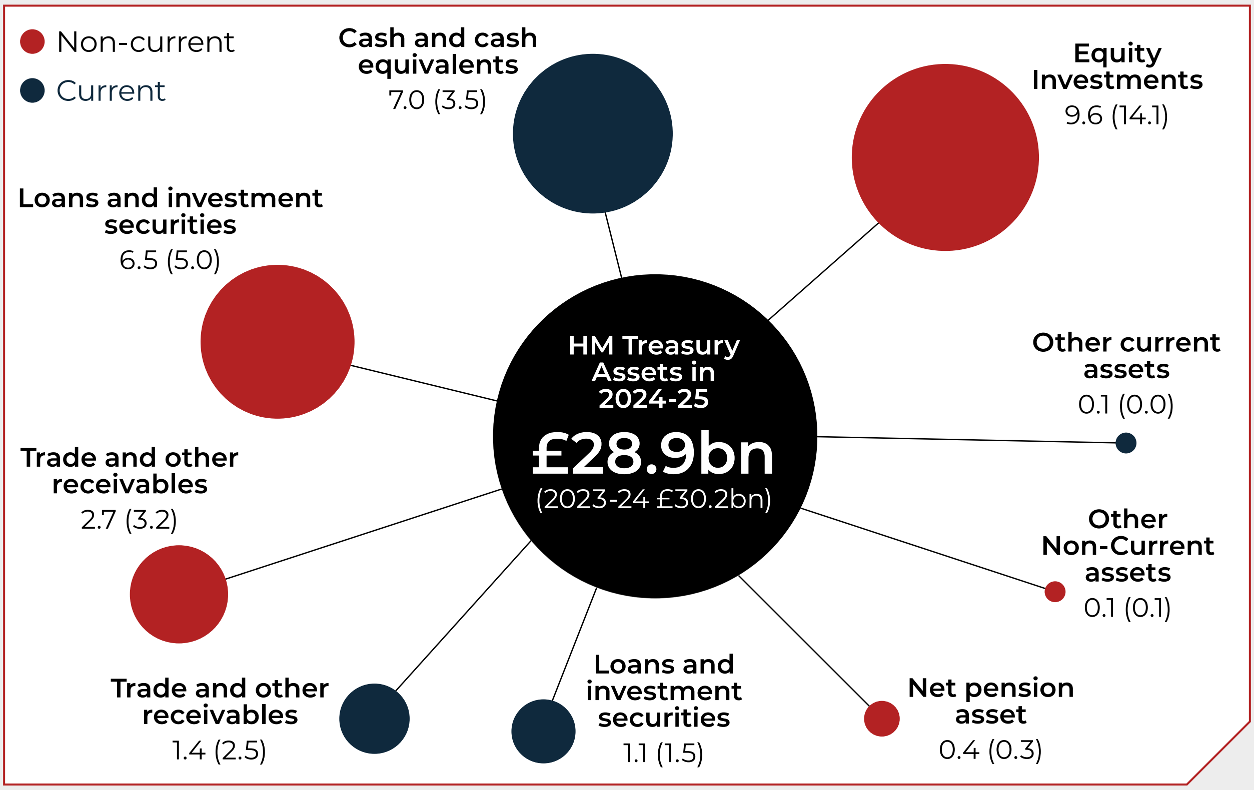
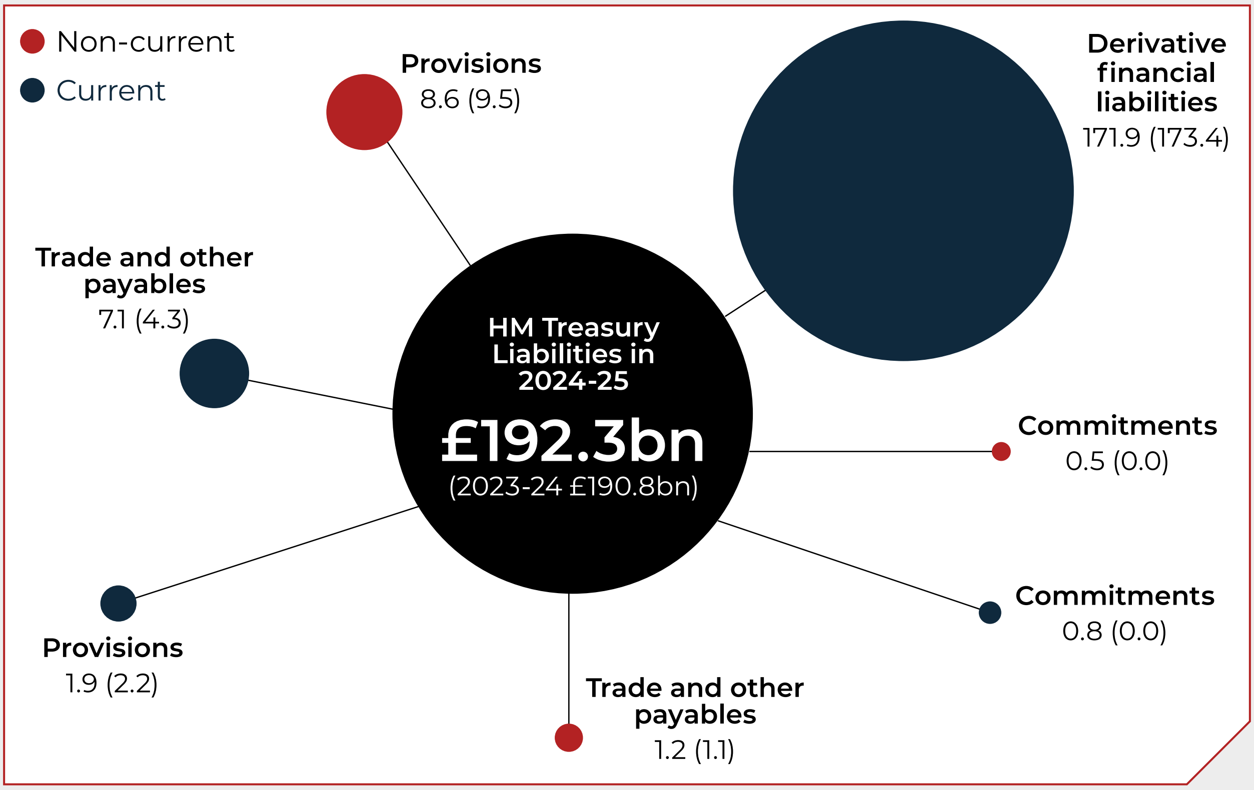


Figure 3: HM Treasury Group Liabilities as at 31 March 2025 (£bn)

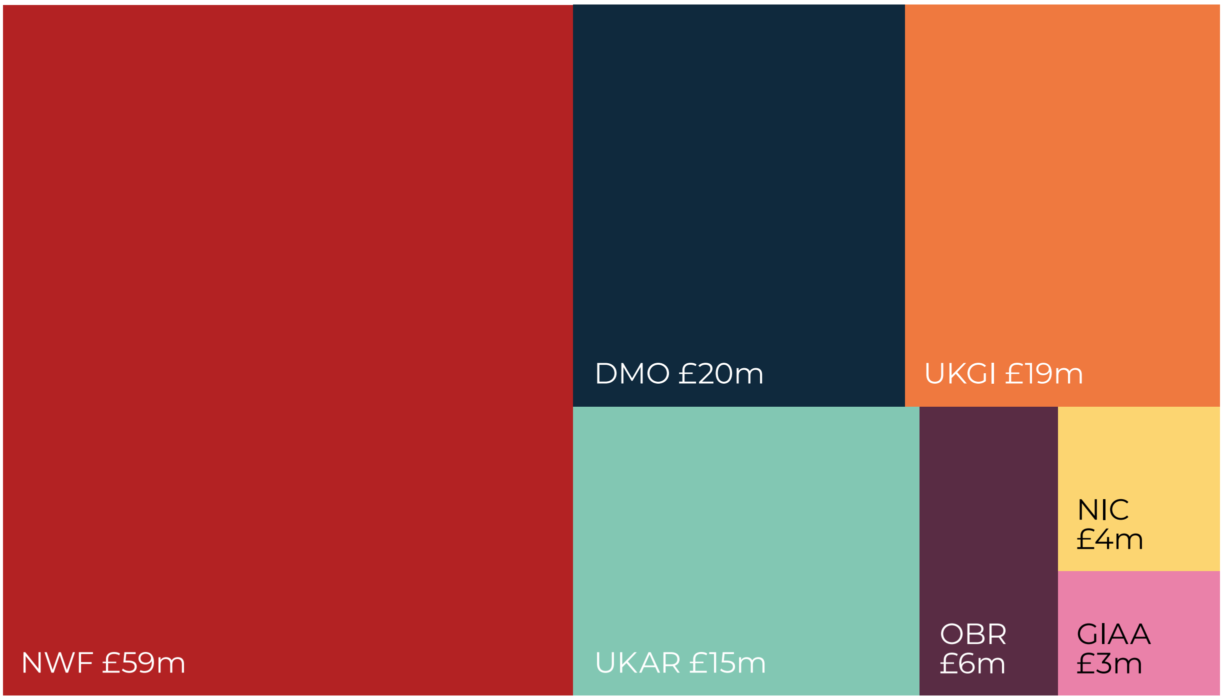


Where HM Treasury spent its money in 2024-25

Each year, HM Treasury receives permission from Parliament to use public money to run the department. This includes both money for day-to-day spending and for longer-term investments. Parliament reviews and approves these plans twice a year through a process called Supply Estimates.

HM Treasury also provides funding to several organisations that work at arm's length from the department. These include, the Office for Budget Responsibility (OBR), the National Infrastructure Commission (NIC), the Debt Management Office (DMO), the Government Internal Audit Agency (GIAA), UK Asset Resolution (UKAR), UK Government Investments (UKGI), and the National Wealth Fund (NWF). In addition, HM Treasury funds the Royal Household through the Sovereign Grant. More information about these organisations can be found in the Corporate Governance Report and Note 1.3-Basis of consolidation.

Figure 4: Grant in Aid funding (£m)



The money HM Treasury spends is divided into two main types:

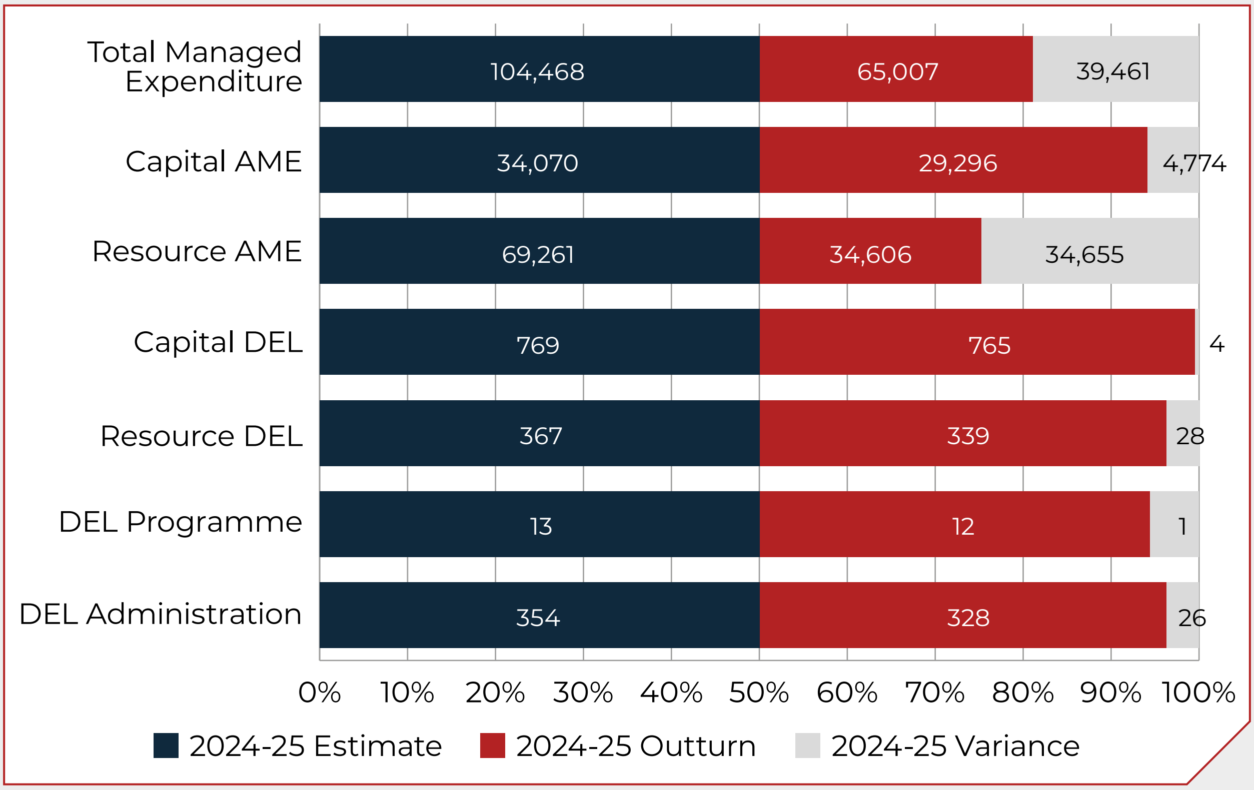
- **Departmental Expenditure Limits (DEL)**: This is money set aside for planned, regular spending over several years. It covers things like running the department and supporting key organisations.
- **Annually Managed Expenditure (AME)**: This is money for costs that are harder to predict or control, such as changes in the value of government assets or payments related to the UK's exit from the European Union.

In 2024-25, most of the Resource DEL budget was used to fund the core activities of HM Treasury Group (68%), with the rest supporting the department's arm's length bodies (32%). Within the core department, the largest proportion of spending went on staff costs (69%), with the remainder used for other activities including supporting government ministers at international events, taking part in the COVID Inquiry, strengthening the UK's sanctions regime, supporting key industries, funding innovation in finance and technology, and maintaining HM Treasury offices around the country.

A significant amount of AME spending was used to support financial stability through the Bank of England's Asset Purchase Facility. Other AME transactions included managing financial arrangements with the European Union and the sale of the government's shares in NatWest Group.

A summary of spending and income by DEL and AME is shown on the following page. More detail about differences between what was planned and what was actually spent can be found on page 113.

Figure 5: Summary of spending and income by DEL and AME



Five-year net expenditure analysis

The below figures show the net expenditure for HM Treasury Group across the last five years.

DEL net expenditure

Figure 6: Five-year trend analysis – DEL net expenditure (£m)

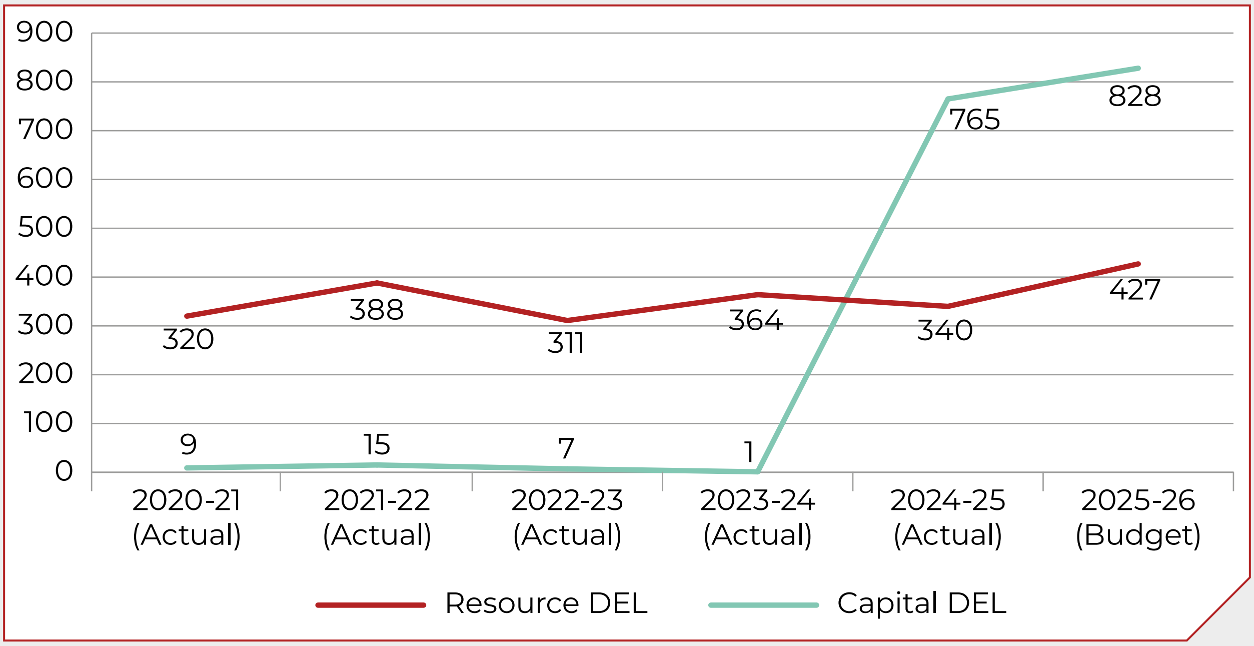


Figure 6 shows the five-year trend analysis of DEL expenditure with negative figures being net income.

The R-DEL budget was used to fund the core activities of HM Treasury Group (68%), with the rest supporting the department's arm's length bodies (32%). The increase in capital

DEL actual and budget is primarily due to the Extraordinary Revenue Acceleration (ERA) support to Ukraine. See Note 12 – Loans and investment securities for more information.

Figure 7: Five-year trend analysis – AME net expenditure (£bn)

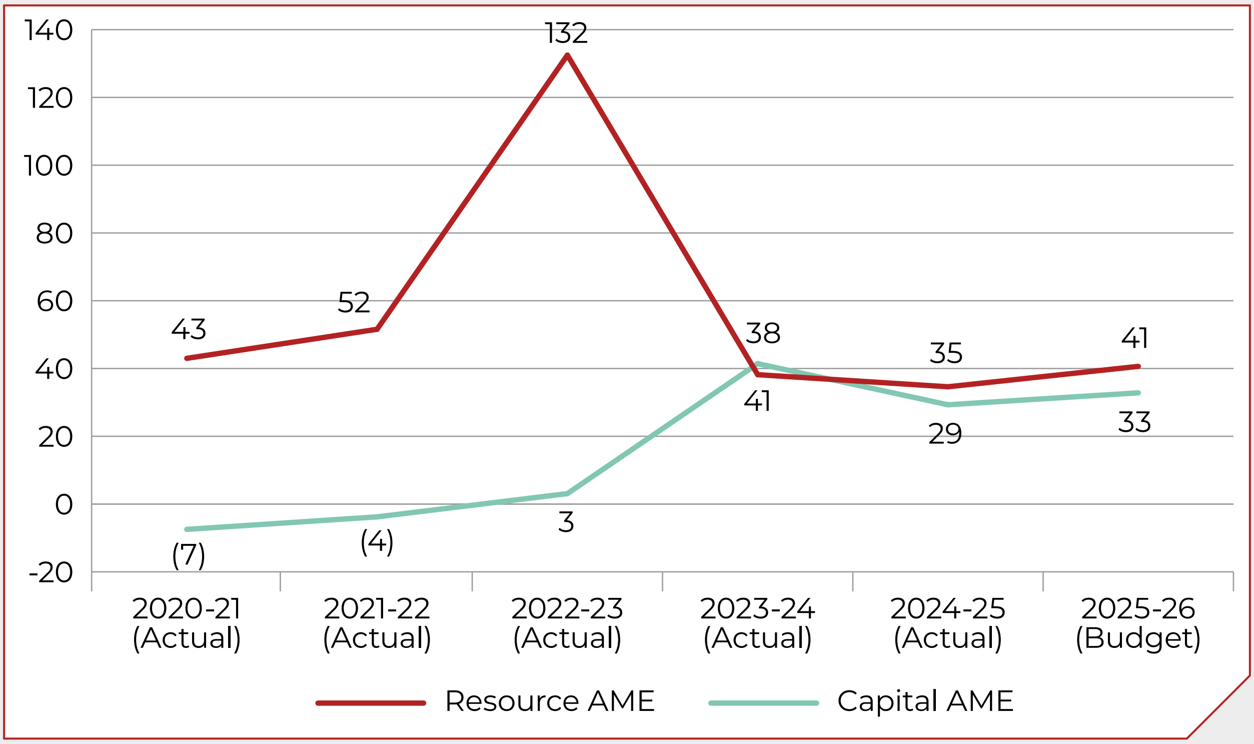


Figure 7 shows the five-year trend analysis of AME expenditure with negative figures being net income.

Resource AME is volatile to market values of the gilt and corporate bond holdings held within the BEAPFF.

AME net expenditure

Figure 8: Five-year trend analysis – AME net expenditure excluding BEAPFF (£bn)

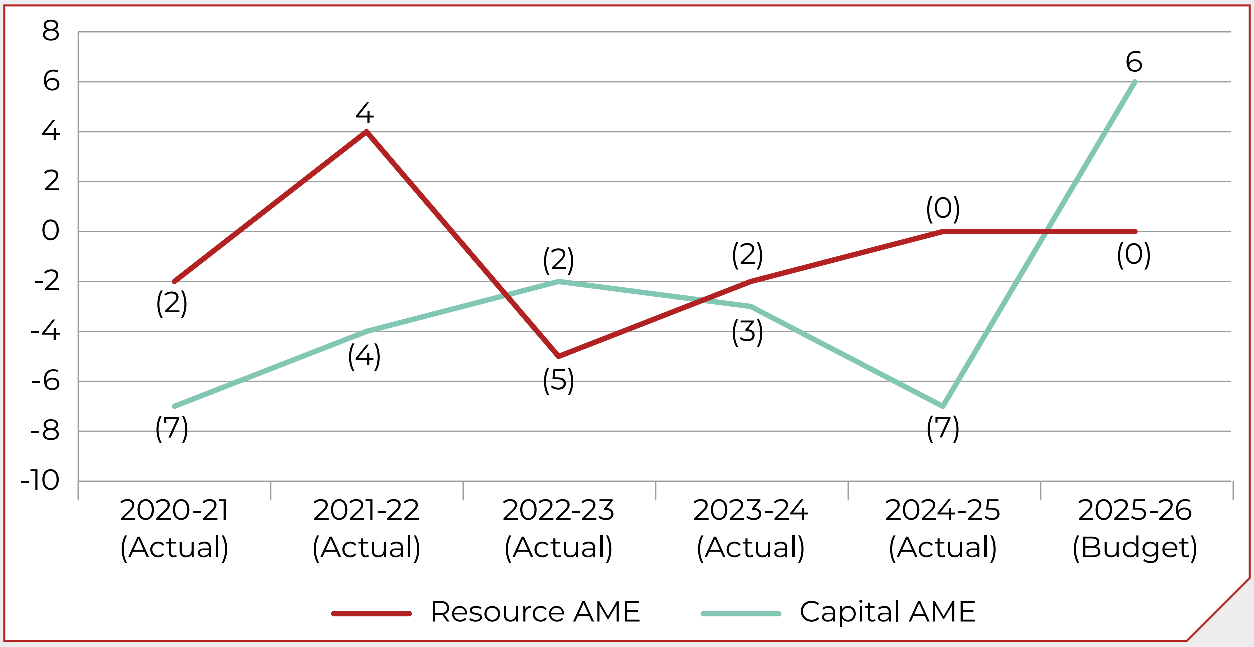


Figure 8 shows the five-year trend analysis of AME expenditure excluding BEAPFF with negative figures being net income.

HM Treasury Group's income and expenditure is reported in the Statement of Comprehensive Net Expenditure (SoCNE) (page 142), and the Statement of Outturn against Parliamentary Supply (SOPS) (page 106). A reconciliation between the SoCNE and the SOPS can be found on page 114.

For the year ended 31 March 2025, HM Treasury Group reported a net expenditure after tax of £36.5bn. HM Treasury and its agencies reported expenditure of £36.8bn, which was offset by net income of £0.3bn from the arm's length bodies (ALBs) in the Group.

Figures 9 & 10 show the total income and expenditure for the year to the 31 March 2025 and the prior year. Detail of the entities which are consolidated into HM Treasury Group can be found in the Accountability Report & Note 1.3 – Basis of consolidation.

Figure 9: HM Treasury Group Income for the year to the 31 March 2025 (£m)

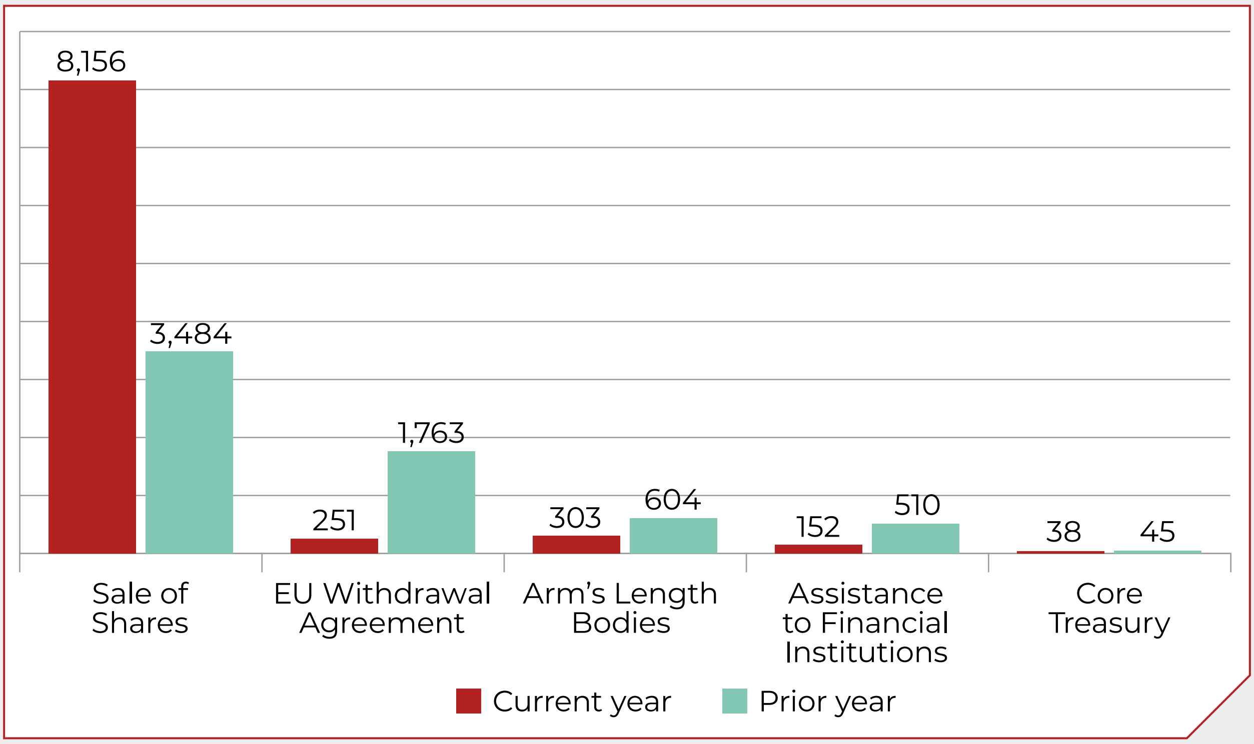
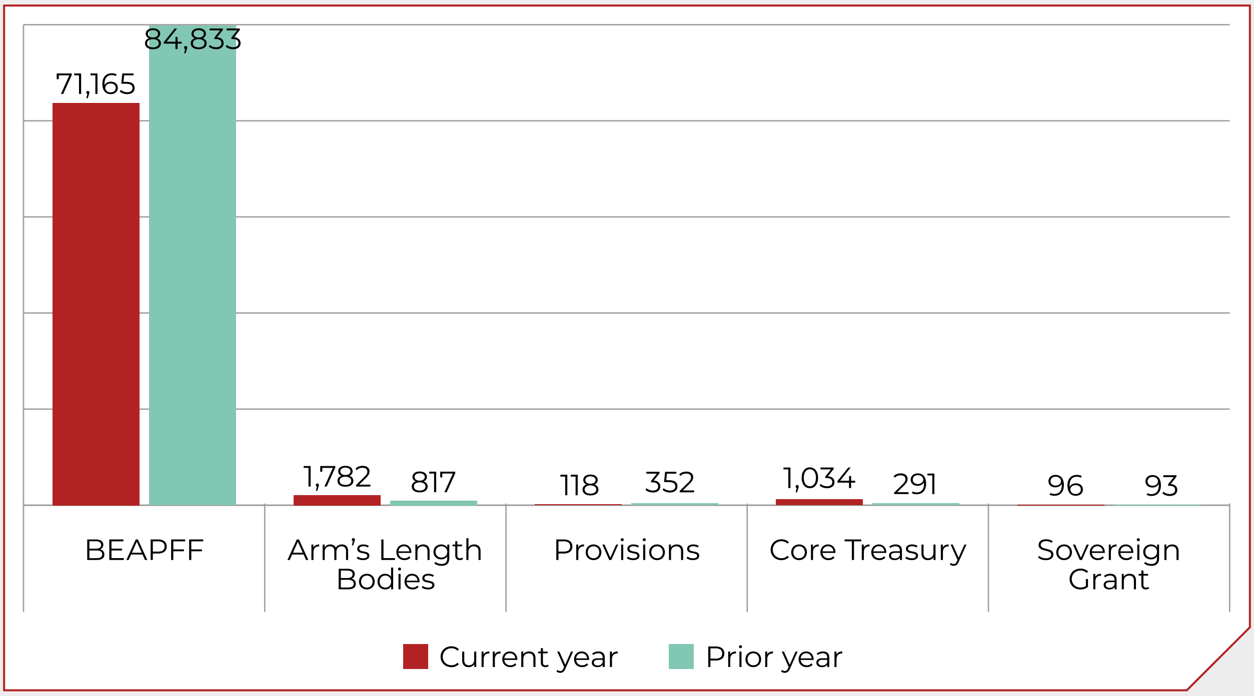


Figure 10: HM Treasury Group Expenditure for the year to the 31 March 2025 (£m)



Accountability Report

The Accountability Report demonstrates how we fulfil our key accountability obligations to Parliament. It comprises three sections:

The Corporate Governance Report

- Outlines the department's governance framework, highlighting key roles and the principal activities undertaken during the year.
- Provides information on ministers and senior directors responsible for oversight of the department.
- Summarises the principal risks faced by the department and the measures taken to manage them.

The Remuneration and Staff Report

- Details the salaries, bonuses, pension entitlements, and other benefits received by ministers, board members, and the most senior officials.
- Presents information on staff numbers and other key workforce statistics.
- Explains the processes and frameworks used to determine pay and remuneration.

The Parliamentary Accountability and Audit Report

- Sets out the department's expenditure in relation to the budgets approved by Parliament.
- Includes the auditor's report and opinion on the department's financial statements.

Corporate governance report

The Corporate governance report explains the composition and organisation of HM Treasury's governance structures and how they support the achievement of HM Treasury's priority outcomes.

Zarin Patel
Non-Executive Board Member and Audit and Risk Committee Chair

"We have played a central role in advancing the Government's Economic Growth agenda. From delivering key fiscal events for the Chancellor, to responding to the evolving situation in Ukraine, and managing the daily demands of a challenging economic environment, our work has been both varied and vital."

Report from the Non-Executive Board Member and Audit and Risk Committee Chair

This has been an exceptionally busy year for HM Treasury, as we have played a central role in advancing the Government's Economic Growth agenda. From delivering key fiscal events for the Chancellor, to responding to the evolving situation in Ukraine, and managing the daily demands of a challenging economic environment, our work has been both varied and vital. The general election, and the subsequent change of government, naturally brought a period of transition. However, I am proud to say that the department has remained steadfast in its commitment to our strategic objectives, adapting effectively to new priorities as they have arisen. Throughout, the Board has kept a clear focus on ensuring our operations are closely aligned with the Government's priorities.

Throughout the year, we have maintained a constructive and open relationship between the executive team and non-executive board members. Through the Treasury Board, its Sub-Committee, and the Audit and Risk Committee, we have provided external insight and oversight on finance, staffing, performance, and risk. This collaboration has been vital in keeping the department aligned with government priorities.

Beyond formal meetings, non-executives have supported the department by joining interview panels and contributing to cross-departmental initiatives, such as the Digital Data Steering Group and the

Non-Executives Climate Network. We have also worked closely with teams on the upcoming Spending Review, risk management improvements, and the department's organisational strategy.

One area I am particularly pleased with, is the progress made in strengthening our risk management framework. The improvements this year are a credit to the dedication of both the Strategic Planning and Change team and the executive team, and have enhanced our ability to anticipate and manage risks.

Despite the pressures, staff engagement remains strong, as shown by the above-average 2024 staff survey results. Recruitment to the Darlington Economic Campus has also exceeded expectations, with 340 Treasury officials now based there, surpassing our March 2025 target.

Looking ahead, it is clear that the macro-economic challenges facing the country will continue to place significant demands on the Treasury and its leadership. As Non-Executive Board Members (NEBMs), we remain committed to supporting the department and its leadership.

Finally, I would also like to take this opportunity to express my sincere thanks to all my fellow NEBMs who have served on the Board, as well as Lord Hill and Gay Huey-Evans, whose dedication and professionalism have set the standard for public service.

In summary, this has been a year of both challenge and progress. By working together, we are well placed to help the department address long-term challenges and support its mission for economic growth.

Zarin Patel
Non-Executive Board Member and Audit and Risk Committee Chair

Governance Statement

The Governance Statement sets out HM Treasury's governance, risk management and internal control arrangements. It applies to the financial year 1 April 2024 to 31 March 2025 and up to the date of approval of the Annual Report and Accounts.

HM Treasury Group

Treasury Group is made up of the core department and its arm's length bodies (ALBs) which are a combination of executive agencies, non-departmental public bodies (NDPBs), companies and additional bodies.

Core Department & Agencies

The Agencies function as an arm of the Core Department.

Core Department:

- HM Treasury
- Office of Financial Sanctions Implementation (OFSI)
- Office for Value for Money (OVFM)[9]

Executive agencies:

- UK Debt Management Office (DMO)
- National Infrastructure Commission (NIC)[10]
- Government Internal Audit Agency (GIAA)

Departmental group

These bodies are within our accounting boundary and consolidated into the Group accounts.

Non-Departmental Public Bodies:

- Office for Budget Responsibility (OBR)

Companies:

- UK Government Investments Limited (UKGI)
- UK Asset Resolution Ltd (UKAR)
- Reclaim Fund Ltd
- National Wealth Fund Limited (NWF)[11]
- IUK Investments Holdings Ltd
- HM Treasury UK Sovereign Sukuk plc
- Pool Reinsurance Company Ltd

Additional bodies:

- Sovereign Grant
- Royal Mint Advisory Committee (RMAC)
- Financial Reporting Advisory Board (FRAB)

Wider departmental group

HM Treasury has policy responsibility for several public corporations and non-ministerial departments not consolidated in the Group accounts.

Public corporations:

- Bank of England (and its subsidiaries)
- Financial Conduct Authority (FCA)
- NatWest Group plc (and its subsidiaries)[12]
- Crown Estate
- Royal Mint Trading Fund (and its subsidiary)
- Local Partnerships LLP
- Financial Services Compensation Scheme (FSCS)

9 The Office for Value for Money (OVFM) was formally launched at the Autumn Budget 2024.
10 The National Infrastructure Commission (NIC) combined with the Infrastructure and Projects Authority (IPA) to become part of NISTA on 1 April 2025.
11 In October 2024, UK Infrastructure Bank Limited (UKIB) changed its name to National Wealth Fund Limited.
12 NatWest Group plc ceased to be classified as a Public Corporation on 1 June 2024 when HM Treasury's ownership of voting rights fell below 25%. HM Treasury fully exited its shareholding in NatWest on 30 May 2025.

Wider departmental group
HM Treasury has policy responsibility for several public corporations and non-ministerial departments not consolidated in the Group accounts.

Non-Ministerial Departments:

- Government Actuary's Department (GAD)
- National Savings and Investments (NS&I)
- HM Revenue & Customs (HMRC)

Additional bodies (Dual HM Treasury & Cabinet Office reporting):

- Infrastructure and Projects Authority (IPA)[13]
- Public Sector Fraud Authority (PSFA)

The wider organisations of HM Treasury Group play a vital role in supporting the government's economic and fiscal strategy. The Permanent Secretary to the Treasury serves as the Principal Accounting Officer (PAO) for the entire HM Treasury Group.

Directors are responsible for managing HM Treasury's relationships with its ALBs and other associated entities as well as understanding and addressing the risks they present. This responsibility includes maintaining sufficient oversight to ensure that robust risk management systems are in place, effectively mitigating risks to delivery and budgets within the ALBs and other sponsored entities.

Regular reporting through the relevant policy teams enables central oversight and informed assessment by the Executive Management Board, the Operating Committee and the Audit and Risk Committee.

13 The Infrastructure and Projects Authority (IPA) combined with the National Infrastructure Commission (NIC) to become part of NISTA on the 1 April 2025.

HM Treasury Ministers

More information of the changes in HM Treasury's Ministerial team since 2023-24 are set out in the Remuneration section of this report on pages 90 to 94.

As of 31 March 2025, the department had seven ministers.

1. Rachel Reeves MP
Chancellor of the Exchequer

The Chancellor of the Exchequer, Rachel Reeves MP was appointed as Chancellor of the Exchequer on 5 July 2024.

The Chancellor of the Exchequer has overall responsibility for the work of HM Treasury. She is the government's chief economics and finance minister and is responsible for growing the UK economy, taxation, the fiscal position and for controlling public spending.[14]

2. Darren Jones MP
Chief Secretary to the Treasury

The Chief Secretary to the Treasury, Darren Jones MP was appointed on 5 July 2024.

The Chief Secretary to the Treasury is responsible for public expenditure including spending reviews and strategic planning, in-year spending controls, and driving efficiency and value for money.

3. Lord Livermore
Financial Secretary to the Treasury

The Financial Secretary to the Treasury, Lord Livermore was appointed on 8 July 2024.

The Financial Secretary to the Treasury is the Growth Minister and is responsible for supporting the Chancellor on the Growth Mission. He is HM Treasury's Departmental Minister.

14 The Chancellor's responsibilities cover: fiscal policy (including the presenting of the annual Budget), monetary policy, setting inflation targets and ministerial arrangements (in her role as Second Lord of the Treasury).

4. James Murray MP
Exchequer Secretary to the Treasury

The Exchequer Secretary to the Treasury, James Murray MP was appointed on 9 July 2024.

The Exchequer Secretary to the Treasury is responsible for the UK tax system.

He is Departmental Minister for HM Revenue and Customs (HMRC), the Valuation Office Agency (VOA), and the Government's Actuary's Department (GAD).

5. Emma Reynolds MP
Economic Secretary to the Treasury and City Minister

The Economic Secretary to the Treasury and City Minister, Emma Reynolds MP was appointed on 14 January 2025[15].

The Economic Secretary to the Treasury is responsible for financial services policy, reform and regulation.

6. Baroness Gustafsson of Chesterton CBE
Minister of State (Minister for Investments)

The Minister of State (Minister for Investments), Baroness Gustafsson of Chesterton CBE was appointed on 10 October 2024.

The Minister for Investments is joint with the Department for Business and Trade.

7. Torsten Bell MP
Parliamentary Secretary (Minister for Pensions)

The Parliamentary Secretary (Minister for Pensions), Torsten Bell MP, was appointed on 14 January 2025.

The Minister for Pensions is joint with the Department of Work and Pensions.

15 Emma Reynolds MP was the Minister for Pensions (jointly with HMT and DWP) from 9 July 2024 – 14 January 2025

Permanent Secretaries

1. James Bowler CB
Permanent Secretary and Principal Accounting Officer

James Bowler CB is the Permanent Secretary and Principal Accounting Officer (PAO) for HM Treasury.

As the Permanent Secretary and PAO for HM Treasury Group, James is responsible for the delivery of the department's strategy and is accountable to Parliament for the organisation and management of the department. This includes its use of public money and stewardship of assets. He also has overall responsibility for the delivery of the priorities of ministers and the decisions and actions taken by Treasury officials.

As at 31 March 2025, the department's Second Permanent Secretaries Beth Russell CB and Sam Beckett CB supported the Permanent Secretary.

2. Beth Russell CB
Tax, Welfare and Growth

Beth Russell CB supports the Permanent Secretary in the running and oversight of the department. Beth is responsible for Tax, Welfare and Growth policy, as well as leadership of the Darlington Economic Campus.

3. Sam Beckett CB
Chief Economic Adviser

Sam Beckett CB is responsible for HM Treasury's work programme, on supporting the government's objectives on macroeconomic stability, HM Treasury's relationships on monetary policy and the wider economic community. Sam is Chief Economic Adviser and leads the Government Economic Service.

Non-Executive Board Members (Non-Executive Directors)[16]

1. Zarin Patel
Non-Executive Director and Chair of the Audit and Risk Committee (ARC)

Committees: The Treasury Board, The Treasury Board Sub-Committee, Nominations Committee and Chair of the Audit and Risk Committee.

Expertise: Qualified Chartered Accountant, Managing Transformation, Finance, Investment, Procurement, audit, and corporate finance.

2. Jane Hanson CBE
Non-Executive Director and member of the Audit and Risk Committee (ARC)

Committees: The Treasury Board; The Treasury Board Sub-Committee; Nominations Committee and Audit and Risk Committee.

Expertise: Fellow of the Institute for Chartered Accountants, Commercial, Not-for-profit, Risk, Governance, Financial Services and Regulatory frameworks.

3. Sir Edward Braham
Non-Executive Director and member of the Audit and Risk Committee (ARC)

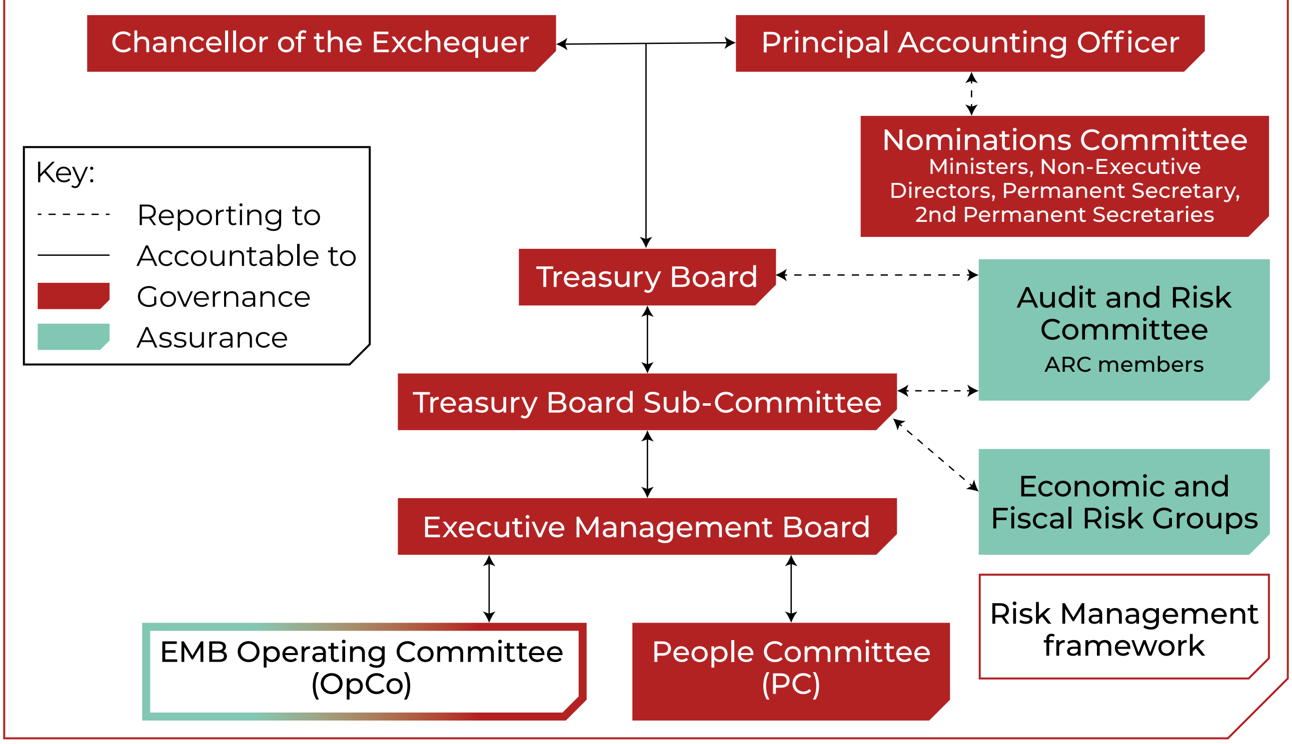
Committees: The Treasury Board, The Treasury Board Sub-Committee, Nominations Committee and Audit and Risk Committee.

Expertise: Professional services businesses, Law, Mergers & Acquisition and financial services.

16 Lord Jonathan Hill's Second term ended on 5 September 2024; we have rotated our NEDs to chair our TB(SC) meetings whilst recruitment was undertaken for a new Lead Non-Executive Board Member (NEBM). Gay Huey Evans' second and final term ended on 31 December 2024.

Our governance structure

Figure 11: The Treasury Board and its committees



Treasury Board

The Treasury Board is the most senior of the department's oversight committees. It provides advice, support and challenge to the effective running of the department. It oversees the department's performance and risk management, and progress against delivery of its objectives and priorities. It draws together ministerial and civil service leaders with experts from outside government.

The board is chaired by the Chancellor and met once during 2024-25.

Committee members as at 31 March 2025	Areas of discussion
• Treasury ministers • Non-Executive Directors • Permanent Secretary • Second Permanent Secretaries • Chief Economic Adviser • Finance Director • Head of Government Finance Function	• Departmental priorities • Departmental challenges • Performance and risk • Strategic objectives

Treasury Board Sub-Committee (TB(SC))

TB(SC) is the second most senior board and has delegated authority of the Treasury Board. It considers performance and key risks and specific policy areas. It has oversight of the department's arm's length bodies.

TB(SC) is chaired by the Lead Non-Executive Board Member (NEBM) and met twice during 2024-25.

Committee members as at 31 March 2025	Areas of discussion
• Non-Executive Board Members • Executive Management Board members • Head of Government Finance Function	• Quarterly performance and risk reports • Departmental oversight (including Strategic objectives) • Board effectiveness evaluation • Outcome delivery plan • Raising a concern and whistleblowing • ALB oversight (UKGI, DMO and NS&I)

Board Effectiveness Evaluation

Conducting an annual review of a board's processes and practices is recognised as standard good corporate governance. The Cabinet office coordinates this evaluation, following the procedures outlined in the Corporate governance in central government departments: Code of Good Practice.

For this year's review, feedback and views were sought from all current all current TB(SC) members.

Recommendations arising from the 2023-24 and 2024-25 evaluations will be implemented once a full complement of Non-Executive Board Members are in place.

The Executive Management Board (EMB)

EMB meets at least weekly, focusing on HM Treasury's core functions, ministerial priorities, risk management and internal controls, allocating and managing resources and leading, motivating and challenging the department. In addition, EMB meets regularly with directors to consider the strategic direction of specific Treasury policy areas.

An annual business planning process, overseen by EMB sets the department's priorities and resourcing for the year ahead. EMB membership changed during the year. Full details of staff changes are set out in the Remuneration chapter of this report on pages 84 to 86.

Committee members as at 31 March 2025	Areas of discussion
• Permanent Secretary – James Bowler CB • Second Permanent Secretaries –Beth Russell CB and Sam Beckett CB (Chief Economic Adviser) • Director General, Financial Services – Gwyneth Nurse CB • Director General, Public Spending – Conrad Smewing • Director General, International – Lindsey Whyte CB • Director General, Tax and Welfare – Dan York-Smith CB • Director General, Productivity and Growth – Jessica Glover • Finance Director – Sarah Whitehead[17] • Director of Operations – Rebecca Coady • Director Strategy, Planning and Budget – Will Macfarlane • Director Treasury Legal Advisers – Simon Man[18]	• Quarterly performance and risk reports • Outcome delivery plan • Business planning • Workforce planning • Health and safety • Security (including cyber) and counter fraud • Resourcing, pay and performance • Fiscal events • Staff Networks • Growth plan • Climate change strategy • International agenda • Departmental people survey results

Sub-committees to the Executive Management Board

EMB has two sub committees, delegating responsibility for specific departmental operational areas.

Operating Committee (OpCo)

OpCo takes operational decisions on the department's financial, administrative and risk management matters arising in the broader Treasury Group. It also acts in an advisory capacity in relation to certain finance and management information. The committee ensures appropriate and robust business processes are operating effectively in support of the department's overall strategy and business needs.

OpCo meets monthly and is chaired by Sam Beckett CB (Head of the Government Economic Service and Second Permanent Secretary).

Committee members as at 31 March 2025	Areas of discussion
• Second Permanent Secretary • Finance Director • Director of Operations • Director Strategy, Planning and Budget • Commercial Director for Cabinet Office and HM Treasury • 4–5 Directors from the policy side of HM Treasury on 1–2-year rotation • 5–6 Deputy Directors on a 1–2-year rotation	• Financial position and financial management • Multisite Darlington economic campus • Commercial pipeline • Business cases • Data science • Operational performance and risk • Business planning • Resourcing and headcount • Business appointment rules • Climate and environment related operations

17 Sarah Whitehead was appointed as Finance Director and joined the department on 20 May 2024.
18 Simon Man joined HM Treasury on 27 January 2025 as Peter King's Successor who retired on 31 January 2025.

People Committee

The People Committee (PC) makes decisions on the form and delivery of HM Treasury's people and diversity and inclusion agenda. It oversees all aspects of people issues including the People Strategy and people policies.

The People Committee meets monthly and is chaired by Beth Russell CB (Second Permanent Secretary).

Committee members as at 31 March 2025	Areas of discussion
• PC Chair and EMB Diversity Champion (Second Permanent Secretary) • Director of Operations • Chair of the Diversity Inclusion Board • Deputy Finance Director • Deputy Director Strategy, Planning and Projects • HR Operations, Policy and Strategy • 3-5 additional SCS on a 1–2-year rotation	• People and capability performance • Staff networks • Bullying, harassment and discrimination • Graduate development programme • Leadership and management offer • Wellbeing • Diversity and inclusion • Conduct policy • Recruitment

Other committees

In addition, EMB has two committees focussed on risk: the Economic Risk Group and the Fiscal Risk Group. The Risk Groups contribute to HM Treasury's risk management framework by identifying and tracking indicators, horizon-scanning, and assessing the likelihood, probable impact and potential mitigation of risks.

The Economic Risk Group meets once a quarter and more frequently if a significant number or urgent risks emerge. It is co-chaired by the Director of Economics and the Director of Financial Stability. The Fiscal Risk Group is chaired by the Director of Fiscal and typically meets on a quarterly basis.

Audit and Risk Committee (ARC)

The ARC provides advice to the Treasury Board, the Permanent Secretary, as Principal Accounting Officer for HM Treasury Group, and HM Treasury's additional Accounting Officers to discharge effectively their duties and responsibilities relating to managing risk, internal control and governance. ARC considers the integrity of the financial statements in relation to the:

- Treasury Group's Annual Report and Accounts
- Exchange Equalisation Account
- National Loans Fund
- Consolidated Fund
- Contingencies Fund
- Whole of Government Accounts

In accordance with the ARC Handbook[19] the Committee provides independent challenge on the robustness of the mechanisms in place, and the evidence provided, to deliver the assurance needed by the Board and departmental Accounting Officer. ARC provides oversight of activity performed by the Government Internal Audit Agency (GIAA) and approves the Internal Audit Plan for the year which is developed to assure key risks and controls. The Group Chief Internal Auditor attends each ARC meeting and provides updates on the plan and reporting on key controls. The ARC oversees the work of the department's external auditors, the National Audit Office (NAO).

The NAO presents its audit plans, risk assessments and audit findings. The ARC meets privately with both GIAA and NAO to discuss any issues in detail. Members of ARC are appointed by the Chair along with the Principal Accounting Officer.

19 Further information on how the department manages risk can be found on pages 74 to 75.

The membership of the committee during the year ended 31 March 2025 included:

- Zarin Patel (Chair of the Audit and Risk Committee and a Non-Executive Director of the Treasury Board)
- Sir Edward Braham
- Jane Hanson CBE

Nominations Committee

The Nominations Committee considers succession planning, performance and remuneration of the senior management team within the department.

The committee is chaired by the Permanent Secretary and met once during 2024-25.

Committee members as at 31 March 2025	Areas of focus
• Permanent Secretary • Second Permanent Secretaries • Non-Executive Directors	• Succession planning • Performance and remuneration

Attendance of members at board and committee meetings

Attendance	Treasury Board	TB(SC)	ARC	Nominations Committee
Ministers				
Chancellor	1/1	–	–	–
Chief Secretary	1/1	–	–	–
Economic Secretary and City Minister	1/1	–	–	–
Exchequer Secretary	1/1	–	–	–
Financial Secretary	1/1	–	–	–
Minister for Investments	1/1	–	–	–
Minister for Pensions	1/1	–	–	–
Non-Executives and ARC members				
Lord Jonathan Hill	–	1/2	–	–
Zarin Patel	1/1	2/2	6/6	1/1
Jane Hanson CBE	0/1	2/2	6/6	0/1
Sir Edward Braham	1/1	2/2	5/6	1/1
Gay Huey Evans CBE	–	2/2	–	–
Executives				
James Bowler CB	1/1	2/2	4/6	1/1
Sam Beckett CB	0/1	2/2	–	0/1
Beth Russell CB	1/1	1/2	–	1/1
Gwyneth Nurse CB	–	1/2	–	–
Lindsey Whyte CB	–	1/2	–	–
Dan York-Smith CB	–	2/2	–	–
Jessica Glover	–	2/2	–	–
Conrad Smewing	0/1	2/2	–	–
Sarah Whitehead	1/1	2/2	5/5	–
Rebecca Coady	–	1/2	–	–
Peter King	–	2/2	–	–
Simon Man	–	–	–	–
Will Macfarlane	–	1/2	–	–

Quality of information

All Boards and Committees are provided with a range of management information to enable adequate review of the department's performance, risk and capability. Information is provided to boards and committees in a standard way to ensure risks and resource implications are highlighted.

During the year, a refreshed risk and performance reporting framework was introduced. This new, streamlined process includes the strengthening of risk escalation routes through the department's risk governance structures and provides clarity on how different types of risk flow through the system; focusing board and committee papers and time on the highest priority issues that are being escalated for discussion and decision. Boards and committees receive quarterly information on high priority risks through a Performance Dashboard, which tracks progress against the department's Outcome Delivery Plan, and a Quarterly Risk Note.

Register of interests

The department requires all employees to disclose any actual or perceived conflict of interest. Staff receive clear guidance on how to identify and manage conflicts, and what to do if one arises. There is a strong process in place for declaring, reviewing, approving, mitigating and recording both actual and perceived conflicts.

The department has enhanced its declarations process by the introduction of a new digital system, which has improved both the efficiency and accessibility of declaring conflicts across the department.

In the prior year, GIAA conducted an audit of the department's conflicts of interest processes. The audit received a substantial assurance rating, providing confidence to the PAO that the processes robust. The recruitment conflicts of interest process within GIAA's 2024-25 audit of HR key controls received a moderate opinion.

Senior Civil Servant (SCS) interests

In line with the department's conflict of interest procedures, all declarations relating to company directorships have been reviewed. Two material directorships have been identified within the Senior Civil Service:

Name	Interest
Clive Martin	Mr Martin holds a paid role as a Director at Clive Martin Consultancy Ltd. Mitigations have been put in place to ensure there is no real conflict of interest. Mr Martin may not use government information for the benefit of his outside role.
Ian Corfield	Ian Corfield was employed at HMT from July 2024 until mid-August 2024 after which he was appointed as an unpaid adviser until October 2024. Mr Corfield declared that he held a Directorship which he agreed to stand down from in July 2024.

The department has assessed all conflicts relating to third party employment within the Senior Civil Service in the department. The Permanent Secretary has reviewed these returns and has confirmed there are no relevant interests to be published.

No member of EMB held company directorships or other interests which may have conflicted with their official responsibilities.

Ministers' interests

The register of ministers' interests is held by Parliament.

Board interests

Other Board member interests are shown below. Non-Executive Board Members (NEBMs) interests are set out in this document.

Non-Executive Board Members	Other roles
Lord Jonathan Hill[20]	• Chairman, Council of Management, Ditchley Foundation (from 1 November 2017). • Senior Adviser, Freshfields Bruckhaus Deringer. • Directorship Supervisory Board Ice Endex. • Adviser, Banco Santander SA and Santander SA. • Member of International Advisory Panel to Iberdrola. • Director, Centre for Policy Studies. • Adviser to VisaEurope and Member of Advisory Board of Visa Economic Empowerment Institute. • Adviser to Ice Endex. • Trustee, Axiom Maths. • Member of the Lords Financial Services Regulation Committee.
Zarin Patel	• Non-Executive Director (NED) and Senior Independent Director; Chair of ARC; Member of Environment, Social and Governance, Remuneration and Nominations Committees at Pets at Home Group PLC (2021 to date). • Non-Executive Director and Chair of ARC at Hays plc (2023 to date). • Non-Executive Director, Chair of ARC, Member of Nominations and Remuneration Committee and Senior Independent Director[21] Anglian Water Services Limited (2018 to date). • Trustee and Chair of Audit and Risk Committee at National Trust (2018 to date).
Sir Edward Braham	• Chair of M&G plc (14 March 2022 to date). • Chair, Lord Mayors Appeal (2025 – date). • Trustee and Chair-elect, Charities Aid Foundation (2025-date). • Warden, Goldsmith's Company (date tbc). • Trustee of the Goldsmiths' Charity (2018 to 2025). The City UK: • Chair of its International Trade and Investment Group and member of its Nominations and Remuneration Committee (2018 to date). • Chair, Next Generation Leadership Council, (2025-date). • Director (2018-2024). • Commissioner, Global Commission on Modern Slavery and Human Trafficking (2023 to date). City of London Corporation: • Member, competitiveness Advisory Board (2021-date). • Mayoral and Shrieval Independent Panel for (2021 to date). • Member of the Advisory Council at Capital as a Force for Good (2021 to date). • Member, European Financial Services Roundtable (2022-date). • Member of the Court of the Goldsmiths Company (2011 to date).

20 Term came to an end 5 September 2024
21 Zarin Patel became Senior Independent Director from 23 Jan 2024.

Non-Executive Board Members	Other roles
Gay Huey Evans CBE[22]	• Conoco Phillips and S&P Global. • Trustee of Benjamin Franklin House. • Senior Adviser to Chatham House. • Member of the US Council on Foreign Relations and the Indian UK Financial Partnership. • Adviser to Quantexa.
Jane Hanson CBE	Welsh Water plc • Chair (Jan 2025 – date). • Chair of Audit Committee and Non-Executive Director of (2021 to date). John Lewis Partnership • Independent Advisor (Nov 2023 – date). Royal BAM Group • Non-Executive Director (November 2024 to date). • Chair of the Audit Committee (May 2025 – date). • Chair Bardi Symphony Orchestra (2020 to date). • Chair of Audit Committee at the Civil Aviation Authority (2021 to January 2025).

The following conflicts and mitigations were put in place in relation to potential perceived conflicts of interest for the department's NEDs.

- Lord Jonathan Hill: mitigations have been put in place to avoid any conflicts/perceived conflicts with his role as a member of the Lords Financial Services Regulation Committee and Axiom Maths.
- Gay Huey Evans CBE: mitigations were put in place to avoid any perceived conflict with her director role of S&P Global.
- Zarin Patel: mitigations were put in place to avoid any perceived or real conflict with her role at Hays plc.
- Sir Edward Braham: mitigations have been put in place to avoid any real or perceived conflict with his role as Director and Chair at the Municipal & General Securities Company Ltd (M&G) as well for his role as a Non-Director Commissioner at Global Commission on Modern Slavery and Human Trafficking.
- Jane Hanson CBE: mitigations have been put in place to avoid any perceived or real conflict with her roles at: the Civil Aviation Authority; and her partner's role at the Department for Work and Pensions.

Special Adviser interests

In line with the current Declaration of Interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns, and the following relevant interests are set out in public.

22 Term came to an end 31 December 2024

Name	Interest	Outside Employment
Lara Newman	Ms Newman holds a (part time) paid position as Chief of Staff to Laura Trott at the House of Commons. Ms Newman should avoid any conflict between her two roles and should not use any information received from her special adviser role to benefit the CST's constituency.	Chief of Staff (part time basis) to Laura Trott MP.
John VanReenen	Mr VanReenen remains employed by LSE and is currently splitting his time between employers. Mr VanReenen should therefore recuse himself from all matters relating to higher education policy and funding. LSE will continue to receive grants that Mr VanReenen secured as part of his previous role, but he should have no further involvement with these grants.	Remains employed by LSE and as a Special Adviser at HM Treasury.
Anna Valero	Ms Valero is on a career break from LSE, although she continues to be employed by them. Ms Valero should therefore recuse herself from all matters relating to higher education policy and funding. Ms Valero has also declared her position as an elected council member of the Royal Economic Society Council. It is recommended that Ms Valero recuse herself from any funding or investment decisions related to this organisation.	Remains employed by LSE even though she is currently on a career break.

Business Appointment Rules

The department has established procedures to ensure all staff are aware of and comply with Business Appointment Rules (BARs). All officials are required to obtain written permission before undertaking any external work, whether remunerated or not. In addition, officials must submit an application under the BARs if they intend to leave the civil service, to ensure any potential conflicts of interest can be identified and managed and, where necessary, mitigated. Information on the Rules is included in all employee contracts and further guidance is available.

Within HM Treasury, applications under the BARs are reviewed by the Permanent Secretary. For applications from Permanent Secretaries and Senior Civil Service Pay Band 3 (SCS3), the Advisory Committee on Business Appointments (ACOBA) is responsible, as standard practice across the civil service. The Business Appointment Rules continue to apply for one year after leaving Crown service for junior officials and for two years for members of the SCS.

Approval (and any conditions or mitigations) are shared with line managers and applicants by the Permanent Secretary's office. A letter is also sent to the new employer outlining any conditions that have been imposed.

Total number of leavers from the Civil Service	242
Total number of BARs applications received	40
Total number of BARs with conditions	40
Number of breaches	**–**

The total number of applications assessed under BARS by grade is as follows:

	Number of BAR applications	Number of BAR applications with set conditions	Unsuitable applications	Breaches of rules
Executive Officer	1	1	–	–
Higher Executive Officer/Senior Executive Officer	9	9	–	–
Grade 7	11	11	–	–
Grade 6	7	7	–	–
Special Advisor	5	5	–	–
SCS 1	2	2	–	–
SCS 2	5	5	–	–
SCS 3	–	–	–	–
SCS 4	–	–	–	–
Total	**40**	**40**	**–**	**–**

OpCo regularly reviews the BARs and ARC provides annual scrutiny of the process.

In accordance with the BARs, the department is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments has been published on HM Treasury's website.

For reasons of data protection, decisions are not published for applications made by junior officials.

Risk Management

Managing risks to our objectives

The department faces both macro and micro level risks in its dual role as the UK's economics and finance ministry, and as a central government department and employer. These risks are varied in nature and severity and often shaped by external factors over which the department may have some influence but are ultimately beyond its direct control.

The department must respond to domestic and international events, leading cross-government efforts to safeguard UK prosperity and ensure the sustainability of the public finances. Operationally, the department is committed to allocating its budget effectively to meet its objectives, deliver value for money and uphold its duty of care to both staff and stakeholders.

A robust system is in place to identify and assess risks, challenge underlying assumptions, and provide advice on appropriate mitigation measures. Specific accountabilities for risk management are assigned to key roles within this structure.

HM Treasury's approach to risk management is guided by the principles set out in The Orange Book. In accordance with this guidance, risk management is embedded in the department's governance, leadership, and activities. The ARC supports the Accounting Officer in overseeing the Risk Management Framework.

The ARC provides independent, objective and constructive challenge on HM Treasury's internal control and evidence of assurance. This includes oversight of key publications such as the HM Treasury Annual Report and Accounts, Central Funds Accounts and Whole of Government Accounts.

Our risk management framework

HM Treasury's risk management framework supports the identification and management of risks to the department's strategic objectives. Directors, specialist Risk Groups and the Operating Committee are responsible for monitoring, challenging and reporting on performance against risks and objectives.

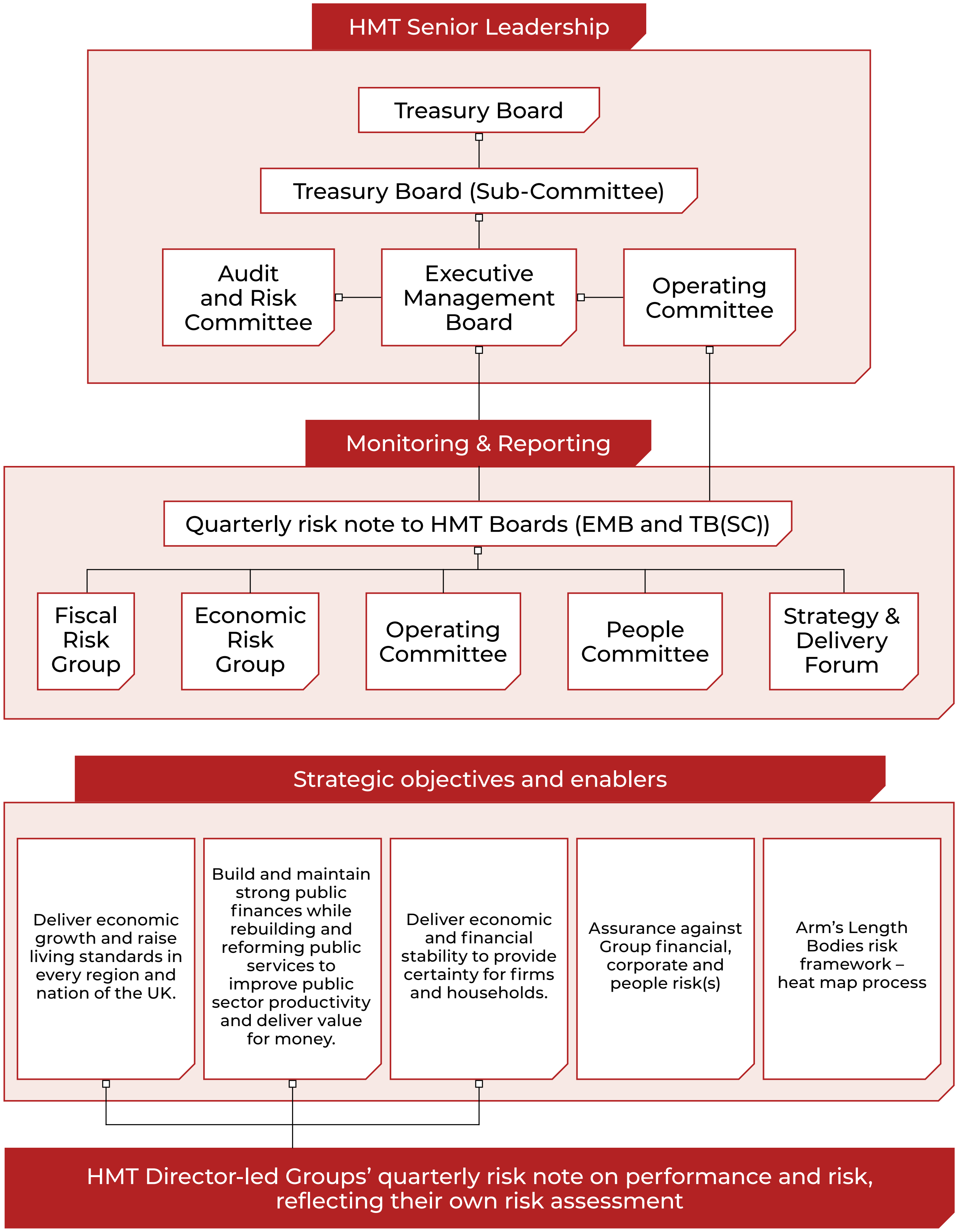
Critical issues and risks that exceed the department's risk appetite are escalated to senior managers for appropriate action via quarterly risk reporting and, where necessary, urgent advice.

In 2024-25, the department undertook comprehensive work to review and strengthen its risk and crisis management frameworks. This resulted in streamlined reporting, clear lines of accountability and escalation, and refreshed Business Continuity arrangements. This will enable the department to respond more effectively to the crystallisation of acute risks in the future.

Following the publication of the updated 2023 National Risk Register in January 2025, the department continues to own four risks under the Lead Government Department Model. Updates on these four risks are included in the Quarterly Risk note.

Throughout 2024-25, EMB has actively addressed specific risks and issues through its regular meetings and ad-hoc risk deep-dives. These discussions have covered policy issues including economic, fiscal and financial stability risks, and HM Treasury's work to support the government's policy objectives on growth, climate and responding to geopolitical tensions.

Figure 12: Risk management framework



Principal Accounting Officer's (PAO) report[23]

Delegation

As the department's Permanent Secretary I am the PAO for the department. I have delegated responsibility to each Director for the delivery of policy and management of risk within their respective groups. Directors are also responsible for ensuring that any policy or operational risks within their groups are communicated across the, supporting the active management of cross-cutting risks facing HM Treasury.

Assurances

During the year, the department benefited from several sources of independent assurance, including the work of the NEDs, internal and external audit, the Head of the Treasury Legal Advisers (Government Legal Department) and other bodies such as the Office of the Civil Service Commissioners.

The Group Chief Internal Auditor has provided assurance to me (as outlined in his report on page 77) and to the ARC throughout the period. In turn the ARC has challenged and endorsed the Government Internal Audit Agency's work programme throughout the year, including monitoring the implementation of key internal audit actions by management to ensure they were delivered.

The Group Annual Accounts are audited by the Comptroller and Auditor General under the requirements of the Government Resources and Accounts Act 2000. His Certificate and Report is set out from page 125. The cost of the external audit is disclosed in Note 25 – Auditor's Remuneration of the financial statements.

Other internal HM Treasury Group assurances have been provided by:

- HM Treasury ALBs including; UK Debt Management Office, Government Internal Audit Agency, UK Asset Resolution Ltd, Pool Reinsurance Company Ltd, the Royal Household, Reclaim Fund Ltd, UK Government Investments Ltd, and National Wealth Fund Limited,
- HM Treasury's Executive Management Board,
- the Group Finance Director, and
- The Director of Analysis and Economic Director has confirmed that an appropriate quality assurance framework is in place for business-critical models. In addition, following the Government Internal Audit Agency's (GIAA) identification of areas of improvement, we are actively working to strengthen the framework and its application across the department.

23 More detail on the control system is given in the Accounting Officer System Statement

Additional Accounting Officers

To assist in the stewardship of public funds, and to maintain the system of internal control, additional accounting officers have been appointed across the HM Treasury Group. For further information see the list of Accounting Officers appointed by HM Treasury.

I am also Accounting Officer for the Consolidated Fund (CF) and the National Loans Fund (NLF). The CF, established in 1787, operates in a similar manner to the government's current account. It receives tax revenues and other government income, which are used to finance public spending. The NLF, created in 1968, serves as the government's primary account for borrowing and lending. The majority of the NLF's borrowing is met indirectly through the Debt Management Office and National Savings and Investments, which borrow on its behalf.

The financial activities of the CF and NLF are reported on separately from this Annual Report and Accounts, as are the Whole of Government Accounts. Each one has a separate governance statement for their respective account.

Internal audit arrangements

Chris Westwood, Director of Internal Audit, Centre of Government at the Government Internal Audit Agency, has provided his Annual Report and Opinion to the PAO and ARC. This report covers the adequacy and effectiveness of HM Treasury's governance, risk management, and internal control framework.

A Moderate opinion was provided by the Government Internal Audit Agency for the period 2024-25. This opinion is based on the work undertaken by the agency during the year and provides assurance on the adequacy and effectiveness of the risk management, control and governance framework relevant to the annual report and accounts. There were no matters arising from the work of Internal Audit in the period that required separate comment in the Governance Statement.

Group Chief Internal Auditor's Report

A Moderate assurance rating has been provided for 2024-25. This is the same level of assurance on the adequacy and effectiveness of governance, risk management and internal control that was issued to the Accounting Officer in 2023-24.

I have seen evidence that the department has continued throughout the year to make improvements to the governance, risk management and control environment throughout the HM Treasury Group. This is notwithstanding that the department works with a highly challenging agenda that is regularly impacted by political uncertainty.

The annual internal audit opinion is a key element of the assurance framework, which the Accounting Officer needs to inform his annual Governance Statement. It does not detract from the Principal Accounting Officer's personal responsibility for the framework of governance, risk management and control, on the effectiveness of which he takes assurance from his senior management and format controls, as well as from internal audit.

HM Treasury's Internal Audit function is provided by the cross-government Government Internal Audit Agency (GIAA), an executive agency of HM Treasury.

The planned internal audit programme, including revisions to the programme during the year, was reviewed and endorsed by the department's Audit and Risk Committee and Principal Accounting Officer.

GIAA has delivered a wide programme of challenging internal audit engagements throughout 2024-25 using the Risk Control Framework as a basis for the plan. We focused on core controls including Contract Management, Key Financial Systems including Purchase to Pay (P2P) and Delegation Arrangements, Key HR Controls, Functional Standards, Health and Safety. The plan also included coverage of a range of Treasury work including Models and Spreadsheets, Pensions Remedy Project, OSCAR II, Government Debt Function, OFSI and Exchequer Funds Accounts. In addition, HM Treasury was involved in the Cross Government Advisory review of Procurement Regulations.

Chris Westwood
Director of Internal Audit, Centre of Government for 2024/25
Government Internal Audit Agency

Raising a Concern: Whistleblowing

The department is committed to fostering an environment in which staff are aware of how to raise concerns and feel supported in doing so through the appropriate channels, including in cases that may constitute whistleblowing.

Results from the department's staff survey indicate positive progress in this area. In 2024, 65% of staff reported being aware of how to raise a concern under the Civil Service Code, an increase from 63% in 2023. Additionally, the proportion of staff confident that any concern raised would be properly investigated, remained steady at 78% in both 2023 and 2024.

The department has three nominated officers responsible for investigating staff concerns that are raised confidentially. They were:

- Zarin Patel – NED and Chair of the ARC
- Chris Westwood – Group Chief Internal Auditor, Government Internal Audit Agency
- Johanna Harston – Director, Public Services Group

During 2024-25 the department did not receive any cases which fall within the scope of whistleblowing.

Transparency and scrutiny

The roles and structures described are designed to ensure the effective governance, control and management of risk within the department.

The department welcomes scrutiny, whether from internal audit, the National Audit Office (NAO), Members of Parliament or members of the public.

Detail on the scrutiny of the department by internal audit, the public and Parliament can be found from page 42 of the Performance Report.

The NAO undertakes independent scrutiny of the department's performance. In addition to the financial audit services, the value for money studies of relevance to HM Treasury can be found on page 42.

Several parliamentary committees, including the Public Accounts Committee (PAC) and the Treasury Select Committee have invited witnesses from across the HM Treasury Group to provide evidence on key issues. The department values the oversight, challenge and scrutiny this process provides, and responds constructively to their recommendations implementing them where appropriate.

Personal data incidents

During 2024-25 the department did not experience any personal data breaches which met the required threshold for reporting to the Information Commissioner's Office.

Ministerial directions

The Accounting Officer is accountable to Parliament for ensuring that all expenditure complies with the standards set out in Managing Public Money (MPM). If the Accounting Officer concludes that one or more of the four standards – regularity, propriety, value for money and feasibility – cannot be met, they must seek a written direction from the senior departmental minister before the expenditure is committed.

No written directions were sought in the department during 2024-25.

Operational issues facing the department in 2024-25

The Governance Statement considers people, security and policy issues which might pose challenges to the delivery of HM Treasury's objectives or undermine the integrity or reputation of the department.

Workforce

HM Treasury's greatest asset is its workforce. We are renowned for our talented, high-performing staff who have shown their flexibility in responding to a range of events including COVID-19, Brexit and war in Ukraine.

Developing policy in such an uncertain context requires huge resilience, adaptability, and a keen understanding of the wider economic landscape, which the HM Treasury workforce have demonstrated again and again. Growth remains both the primary mission of the government and this department and the route to a stronger economy, fiscal position, and living standards. Policy development and its implementation is at the heart of this.

The Spending Review provides the opportunity to take the department to the next level and ensure that it is fit for the future, through a combination of economic growth; strong public finances and reformed public services; providing economic and financial stability.

We need a workforce that is built to deliver our policy objectives, whilst being leaner, more efficient, effective and flexible. We are also continuing to progress work in maturing the Darlington Economic Campus and invest in stronger skills in certain areas like delivery and digital.

The size of HM Treasury's workforce in 2024-25 remained broadly in line with the previous year. The department has a clear plan to meet our expected position under the Spending Review settlement while continuing to deliver on our commitment to Darlington.

Further information on workforce data including staff numbers and remuneration, sickness absence, off payroll engagements and staff pension costs is within the Staff Report on pages 94 to 105.

Security

Security remains a key priority for the department. HM Treasury's security team continually assess and adapt its approach to address evolving threats and challenges to UK national security. We have strengthened our cyber monitoring capabilities and are working alongside government colleagues to gain a more detailed understanding of the cyber risks for our systems as part of the new GovAssure cyber security process.

To build resilience across the department, we have continued to clear staff to higher security levels. Our Senior Security Adviser delivered twice yearly briefing to the EMB and a tabletop business continuity exercise was conducted, focusing on scenarios involving severe weather and IT disruption. We also maintain a regular programme of protective and personal security communications for staff, and work closely with security colleagues across government to ensure our policies and guidance remain up to date an aligned with appropriate security and functional standards.

The security team has continued to provide support and guidance to HM Treasury and our ALBs on sensitive policy matters and service delivery, including campaigns to support staff identifying suspicious online activity. We are enhancing our departmental Business Continuity plans, further increasing our expertise and testing scenarios to ensure that HM Treasury can continue to operate effectively during any business continuity event.

The Corporate Governance Code

As part of the preparation of this report, the department has undertaken an assessment of its compliance with the Corporate Governance Code for Central Government Departments. This assessment has provided assurances that the department complies with the principles of the code.

Conclusion

I have considered the evidence that supports this Governance Statement, including from the department's governance structures and the independent advice provided by the ARC. I conclude that HM Treasury has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement to address weaknesses identified.

James Bowler CB
Permanent Secretary
17 July 2025

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the department to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2024 number 295 and 1323 (together known as the 'departmental group', consisting of the department and sponsored bodies listed at Note 1.3 to the financial statements).

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the departmental group and of the income and expenditure, Statement of Financial Position and cash flows of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the department is required to comply with the requirements of the Government Financial Reporting Manual and to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

HM Treasury appointed the Permanent Secretary of the department as Principal Accounting Officer of the department. James Bowler CB was appointed as the Permanent Secretary and Principal Accounting Officer for HM Treasury on 17 October 2022.

The Principal Accounting Officer of the department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies, as Accounting Officers of those bodies.

The Principal Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts.

Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer are set out in Managing Public Money published by HM Treasury. This includes responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department or non-departmental or other arm's length public body for which the Accounting Officer is responsible.

Statement regarding the disclosure of information to the auditors

As the Principal Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that HM Treasury's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I also confirm that the Annual Report and Accounts are fair, balanced and understandable, and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

Remuneration and staff report

Remuneration report[24]

Overview

This remuneration and staff report sets out the department's approach to pay, as well as amounts awarded to ministers, directors and members of the departmental Board. The report is an important element in demonstrating accountability to Parliament and includes information on staff numbers and costs.

Remuneration policy

The pay of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. From time to time, the Review Body advises the Prime Minister on pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

When making its recommendations, the Review Body considers:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional and local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving public services, including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target, wider economic considerations, and the affordability of its recommendations

Remuneration for the Permanent Secretary and Second Permanent Secretaries is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. Remuneration is determined by the Treasury's Pay Committee in line with this central guidance for the remaining executive members of the Treasury Board and the Chief Executives of the Debt Management Office, Government Internal Audit Agency and National Infrastructure Commission.

Salary and bonuses

Salary covers both pensionable and non-pensionable amounts and includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the department and thus recorded in these accounts.

Bonuses are based on performance levels achieved during the previous year. In this report, they relate to performance in 2023-24 and comparative bonuses relate to the performance achieved in 2022-23. Annual bonuses are paid following the appraisal process.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument.

Service contracts

The Constitutional Reform and Governance Act 2010 requires civil service appointments to be made on merit based on fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

24 Certain disclosures within the remuneration report have been audited as per the FReM 6.2.1.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No such compensation payments were made to senior managers during the year.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Pay committees

Dependent on the grade of senior manager, the pay committees responsible for reviewing pay comprise either the Permanent Secretaries, or the Permanent Secretaries and Director Generals.

Senior management – single total figure of remuneration (audited)

	2024-25				2023-24			
£'000[25]	Salary (FYE)	Bonuses	Pension benefits[26]	Total	Salary (FYE)	Bonuses	Pension benefits[27]	Total
Current Management								
James Bowler CB Permanent Secretary (from 17/10/22)	195–200	15–20	133	**345–350**	185–190	–	128	**315–320**
Beth Russell CB Second Permanent Secretary (from 17/10/22)	165–170	–	42	**205–210**	160–165	5–10	84	**255–260**
Sam Beckett CB Second Permanent Secretary (from 31/05/2023)	170–175	–	–	**170–175**	130–135 (160–165)	–	–	**130–135**
Conrad Smewing Director General, Public Spending (from 11/04/23)	145–150	–	89	**230–235**	130–135 (135–140)	5–10	132	**270–275**
Jessica Glover Director General, Productivity and Growth (from 09/07/23)	145–150	10–15	117	**275–280**	100–105 (135–140)	–	65	**165–170**
Gwyneth Nurse CB Director General, Financial Services (from 01/01/22)	145–150	–	93	**235–240**	140–145	5–10	82	**225–230**
Lindsey Whyte CB Director General, International (from 22/11/21)	145–150	–	1	**150–155**	135–140	5–10	78	**220–225**
Will Macfarlane Director, Strategy, Planning and Budget (from 30/08/23)	135–140	10–15	81	**225–230**	65–70 (110–115)	–	(1)	**60–65**
Dan York-Smith CB Director General, Tax and Welfare (from 02/03/23)	140–145	5–10	83	**230–235**	135–140	5–10	169	**310–315**
Sarah Whitehead Director, Finance (from 20/05/24)	100–105 (110–115)	–	53	**155–160**	–	–	–	**–**
Rebecca Coady Director, Operations (from 14/03/23)[28]	115–120	–	36	**150–155**	80–85 (95–100)	5–10	41	**130–135**
Simon Man, Treasury Legal Adviser (from 27/01/25)[29]	–	–	–	**–**	–	–	–	**–**

25 Salary and full year equivalent (FYE), bonuses and totals are presented in £5,000 bands. FYE is shown in brackets. Pension benefits and total remuneration to the nearest £1,000. There were no benefits in kind for 2024-25 or 2023-24.
26 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. For some older pension schemes the increase in pension due to extra service may not be sufficient to offset the effect of inflation so that, in real terms, the pension value can reduce.
27 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.
28 Rebecca Coady was on Maternity leave from 30 April 2023 – 30 December 2023.
29 Simon Man sits on the Executive Management Board but is paid by the Government Legal Department.

£'000[25]	2024-25 Salary (FYE)	2024-25 Bonuses	2024-25 Pension benefits[26]	2024-25 Total	2023-24 Salary (FYE)	2023-24 Bonuses	2023-24 Pension benefits[27]	2023-24 Total
Former Management								
Peter King, Treasury Legal Adviser (from 13/09/22 to 31/01/25)[30]	–	–	–	**–**	–	–	–	**–**
Catherine Little CB Second Permanent Secretary (from 17/10/22 to 31/03/24)[31]	0–5	–	–	**0–5**	170–175	5–10	63	**240–245**
Anna Caffyn Director, Finance (from 14/03/19 to 31/03/24)	–	–	–	**–**	105–110	5–10	47	**160–165**
Tamara Bruck Director, Operations (from 27/03/23 to 01/03/24)[32]	–	–	–	**–**	90–95 (95–100)	–	32	**120–125**
Philip Duffy Director General, Productivity and Growth (from 01/06/20 to 30/06/23)	–	–	–	**–**	30–35 (130–135)	–	2	**35–40**
Veda Poon Director, International (from 23/10/20 to 27/07/23)[33]	–	5–10	–	**5–10**	35–40 (100–105)	5–10	58	**100–105**

Following recommendations of the Senior Salaries Review Body, the level of pay increase and bonus awards for all senior civil servants is set by Cabinet Office.

The bonus awards made in HM Treasury in the current year reflect the previous year's performance and all bonus payments were within the thresholds set by Cabinet Office.

Senior management – pension benefits (audited)[34]

£'000	Accrued pension at pension age as at 31/03/25 and related lump sum	Real increase in pension at pension age	CETV at 31/03/25	CETV at 31/03/24[35]	Real increase in CETV[36]
Current management					
James Bowler CB Permanent Secretary (from 17/10/22)	80–85 plus a lump sum of 200–205	5–7.5 plus a lump sum of 5–7.5	1,677	1,552	87
Beth Russell CB Second Permanent Secretary (from 17/10/22)	60–65 plus a lump sum of 155–160	2.5–5 plus lump sum of 0	1,280	1,249	5
Sam Beckett CB Second Permanent Secretary (from 31/05/2023)	–	–	–	–	–
Conrad Smewing Director General, Public Spending (from 17/04/23)	50–55	2.5–5	882	824	45

30 Peter King sat on the Executive Management Board but was paid by the Government Legal Department.
31 Catherine Little received an annual leave adjustment payment in April 2024.
32 Tamara Bruck started her role as Operations Director on 27 March 2023, covering Rebecca Coady who went on maternity leave from April 2023. Tamara Bruck departed on 1 March 2024.
33 Veda Poon received a non-consolidated performance related bonus in August 2024.
34 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.
35 Figures are restated where the Civil Service Pension Scheme have made retrospective updates to their data.
36 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. For some older pension schemes the increase in pension due to extra service may not be sufficient to offset the effect of inflation so that, in real terms, the pension value can reduce.

£'000	Accrued pension at pension age as at 31/03/25 and related lump sum	Real increase in pension at pension age	CETV at 31/03/25	CETV at 31/03/24[35]	Real increase in CETV[36]
Jessica Glover Director General, Productivity and Growth (from 09/07/23)	50–55 plus a lump sum of 115–120	5–7.5 plus a lump of 2.5–5	949	870	66
Gwyneth Nurse CB Director General, Financial Services (from 01/01/22)	60–65 plus a lump sum of 145–150	2.5–5 plus a lump sum of 2.5–5	1,342	1,237	69
Lindsey Whyte CB Director General, International (from 22/11/21)	55–60 plus a lump sum of 10–15	0–2.5 plus a lump sum of 0–0.25	950	968	(33)
Will Macfarlane Director, Strategy, Planning and Budget (from 30/08/23)	40–45	2.5–5	679	636	39
Dan York-Smith CB Director General, Tax and Welfare (from 02/03/23)	50–55	2.5–5	864	812	40
Sarah Whitehead Director, Finance (from 20/05/2024)	25–30	2.5–5	215	301	13
Rebecca Coady Director, Operations (from 14/03/23)	15–20	0–2.5	116	176	5

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at, or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the "McCloud judgement").

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Cash Equivalent Transfer Value (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies (or, for ministers, their current appointment as minister).

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member because of their buying additional pension benefits at their own cost.

CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister or staff member. It is worked out using common market valuation factors for the start and end of the period.

Fair pay (audited)

In according with reporting requirements, HM Treasury is required to disclose the ratio between the remuneration of the highest paid director and the lower quartile, median and upper quartile remuneration of its workforce. This disclosure covers HM Treasury core department and its agencies.

For the financial year 2024-25, the highest paid director at HM Treasury received a salary within the band of £195,000 to £200,000 in addition to a bonus of £15,000 (2023-24: salary of £185,000-£190,000 with no bonus). This equates to 3.8 times (2023-24: 3.4 times) the median remuneration of the workforce, which was £55,800 (2023-24: £54,438).

The increase in the pay ratio for 2024-25 is primarily attributable to the highest paid director receiving a bonus in the current year. The median pay ratio for 2024-25 reflects the remuneration policies of the department and bonuses awarded for the 2024-25 performance year.

During 2024-25, no employee received total remuneration exceeding that of the highest paid director. Remuneration ranged from £24,400 to £214,400 (2023-24: £23,200 to £202,400).

Total remuneration comprises contractual salary, non-consolidated performance-related pay and benefits-in-kind. It excludes severance payments, employer pension contributions and the cash-equivalent transfer value of pensions.

	2024-25 £000	2023-24 £000	Movement %
Highest paid director			
Salary and allowances	195–200	185–190	5%
Performance pay and bonuses	15	–	100%

	2024-25 £	2023-24 £	Movement %
Average (mean) remuneration of other employees			
Salary and allowances	55,598	54,012	2.9%
Performance pay and bonuses	724	1,117	-35.2%

			2024-25			2023-24
Total pay and benefits	**Lower Quartile (25%)**	**Median (50%)**	**Upper Quartile (75%)**	**Lower Quartile (25%)**	**Median (50%)**	**Upper Quartile (75%)**
Remuneration	£39,040	£55,800	£63,413	£37,500	£54,438	£63,373
Ratio	5.4	3.8	3.4	5.0	3.4	3.0

Salary only	Lower Quartile (25%)	Median (50%)	Upper Quartile (75%)	Lower Quartile (25%)	Median (50%)	Upper Quartile (75%)
Remuneration	£38,719	£55,760	£62,614	£36,788	£53,661	£62,322
Ratio	5.1	3.5	3.2	5.1	3.5	3.0

Fees paid to Non-Executive Board and Audit and Risk Committee members (audited)

£'000[37]	2024-25 Fees (FYE)	2024-25 Benefits in kind	2023-24 Fees (FYE)	2023-24 Benefits in kind
Lord Hill of Oareford CBE Lead Non-Executive for HM Treasury (from 01/03/19 to 05/09/24)	5–10 (20–25)	–	20–25	–
Zarin Patel Non-Executive Director and Chair of the Audit and Risk Committee (from 01/03/17)	20–25	–	20–25	–
Sir Edward Braham Non-Executive Board member and member of the Audit and Risk Committee (from 01/01/22)	15–20	–	15–20	–
Jane Hanson CBE Non-Executive Director and member of the Audit and Risk Committee (from 01/09/22)	20–25	–	20–25	–
Gay Huey Evans CBE Non-Executive Board member (from 01/01/19)	15–20[38] (15–20)	–	15–20	–

During the year Lord Hill of Oareford CBE donated his fees to charity.

Ministerial Salaries

In respect of ministers in the House of Commons, departments bear his only the cost of the additional ministerial remuneration. The salary for their services as an MP £91,346 (from 1 April 2024)[39] and various allowances to which they are entitled are borne centrally.

However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in this report.

Ministerial benefits in kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HMRC as taxable. The Chancellor and Prime Minister have the use of their official residences at Downing Street. Expenses relating to its use, such as heating and lighting, are chargeable to tax under the terms of the Income Tax (Earnings and Pensions) Act 2003. The benefit in kind is capped at 10% of gross salary.

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out within the Ministerial Pension Scheme 2015.

Those ministers who are Members of Parliament may also accrue an MPs' pension under the PCPF (details of which are not included in this report).

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

37 Fees are presented in £5,000 bands. Benefits in kind are presented to the nearest £100.
38 Gay Huey Evans CBE was overpaid for the period from the 1 January to 31 March and this is reflected in the above disclosure. She repaid this after the year-end on the 13 May 2025.
39 https://assets.ctfassets.net/nc7h1cs4q6ic/2p6wlkGWOFSxNLGMtaKCVP/57e9f583e6e5a9ca805eb25a23a08e0a/Supporting_Democracy_MPs_pay_report_2024_IPSA.pdf.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

Treasury ministers – single total figures of remuneration (audited)

	2024-25				2023-24			
£[40]	Salary (FYE)	Benefits in kind	Pension benefits[41]	Total	Salary (FYE)	Benefits in kind	Pension benefits[33]	Total
Current Ministers								
Rachel Reeves Chancellor of the Exchequer from 05/07/2024	49,721 (67,505)	5,000	13,000	**68,000**	–	–	–	**–**
Darren Jones Chief Secretary to the Treasury from 05/07/2024	23,334 (31,680)	–	6,000	**29,000**	–	–	–	**–**
James Murray Exchequer Secretary to the Treasury from 09/07/2024	16,300 (22,375)	–	4,000	**20,000**	–	–	–	**–**
Lord Livermore Financial Secretary to the Treasury from 08/07/2024	59,580 (81,485)	–	–	**60,000**	–	–	–	**–**
Emma Reynolds Parliamentary Secretary in HM Treasury from 09/07/2024 to 14/01/2025 and Economic Secretary to the Treasury from 14/01/2025[42]	16,300 (22,375)	–	4,000	**20,000**	–	–	–	**–**
Baroness Gustafsson of Chesterton OBE Minister for Investment from 10/10/2024[43]	–	–	–	**–**	–	–	–	**–**
Torsten Bell Parliamentary Secretary in HM Treasury from 14/01/2025	4,752 (22,375)	–	1,000	**6,000**	–	–	–	**–**
Former Ministers								
Tulip Siddiq Economic Secretary to the Treasury from 09/07/2024 to 14/01/2025[44]	11,548 (22,375)	–	3,000	**15,000**	–	–	–	**–**
Jeremy Hunt Chancellor of the Exchequer from 14/10/2022 to 05/07/2024	17,784 (67,505)	1,800	4,000	**24,000**	67,505	6,800	18,000	**92,000**
Gareth Davies Exchequer Secretary to the Treasury from 21/04/2023 to 05/07/2024	5,894 (22,375)	–	1,000	**7,000**	21,132 (22,375)	–	5,000	**26,000**
Laura Trott MBE Chief Secretary to the Treasury from 13/11/2023 to 05/07/2024	8,346 (31,680)	–	2,000	**10,000**	11,025 (31,680)	–	3,000	**14,000**
Nigel Huddleston Financial Secretary to the Treasury from 13/11/2023 to 05/07/2024	8,555 (31,680)	–	2,000	**11,000**	10,599 (31,680)	–	3,000	**14,000**

40 Salary and full year equivalent (FYE) are presented to the nearest £1. FYE is shown in brackets. Benefits in kind are presented to the nearest £100, pension benefits and total remuneration to the nearest £1,000.
41 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Where nil values are shown Ministers either opted out of the scheme or were unpaid.
42 Emma Reynolds was Parliamentary Secretary in HM Treasury from 9 July 2024 until 14 January 2025 when she was replaced by Torsten Bell as Parliamentary Secretary in HM Treasury. Emma Reynolds did not receive a severance payment due to changing roles (Parliamentary Secretary in HM Treasury – Economic Secretary to the Treasury).
43 Baroness Gustafsson of Chesterton OBE was appointed as an unpaid Minister of State (Minister for Investment) jointly in the Department for Business and Trade and HM Treasury on 10 October 2024.
44 On 14 January 2025 Tulip Siddiq was replaced by Emma Reynolds as Economic Secretary to the Treasury.

£[40]	2024-25 Salary (FYE)	Benefits in kind	Pension benefits[41]	Total	2023-24 Salary (FYE)	Benefits in kind	Pension benefits[33]	Total
Current Ministers								
Bim Afolami Economic Secretary to the Treasury from 13/11/2023 to 05/07/2024	5,894 (22,375)	–	1,000	**7,000**	8,577 (22,375)	–	2,000	**11,000**
Baroness Vere of Norbiton Treasury Lords Minister from 15/11/2023 to 05/07/2024	18,805 (70,969)	–	4,000	**23,000**	25,179 (70,969)	–	8,000	**33,000**
Baroness Penn Treasury Lords Minister (from 30/10/22 to 14/11/23)[45]	–	–	–	**–**	47,313 (70,969)	–	10,000	**57,000**
John Glen[46] Chief Secretary to the Treasury (from 25/10/22 to 12/11/23)[47]	–	–	–	**–**	–	–	–	**–**
Victoria Atkins Financial Secretary to the Treasury (from 27/10/22 to 12/11/23)[48]	–	–	–	**–**	21,120 (31,680)	–	5,000	**26,000**
Andrew Griffith[44] Economic Secretary to the Treasury (from 25/10/22 to 12/11/23)[49]	–	–	–	**–**	–	–	–	**–**
James Cartlidge Exchequer Secretary to the Treasury (from 28/10/22 to 21/04/23)[50]	–	–	–	**–**	1,865 (22,375)	–	1,000	**3,000**

Treasury ministers – severance payments[51] (audited)

£[52]	2024-25 Actual Severance Received	2024-25 Severance Entitlement	2023-24 Actual Severance Received	2023-24 Severance Entitlement
Tulip Siddiq Economic Secretary to the Treasury (from 09/07/2024 to 14/01/2025)	5,594	5,594	–	–
Jeremy Hunt Chancellor of the Exchequer from (14/10/2022 to 05/07/2024)	16,876	16,876	–	–
Gareth Davies Exchequer Secretary to the Treasury (from 21/04/2023 to 05/07/2024)	5,593	5,593	–	–
Laura Trott MBE Chief Secretary to the Treasury (from 13/11/2023 to 05/07/2024)	7,920	7,920	–	–
Nigel Huddleston Financial Secretary to the Treasury (from 13/11/2023 to 05/07/2024)	7,920	7,920	–	–
Bim Afolami Economic Secretary to the Treasury (from 13/11/2023 to 05/07/2024)	5,593	5,593	–	–
Baroness Vere of Norbiton Treasury Lords Minister (from 15/11/2023 to 05/07/2024)	17,742	17,742	–	–

45 Baroness Penn did not receive a severance payment due to changing roles (Parliamentary Under Secretary of State in the Department for Levelling Up, Housing and Communities)
46 These ministers were in unpaid roles, therefore there are no figures to disclose.
47 John Glen did not receive a severance payment due to changing roles (Paymaster General, and Minister for the Cabinet Office)
48 Victoria Atkins did not receive a severance payment due to changing roles (Secretary of State for Health and Social Care)
49 Andrew Griffith did not receive a severance payment due to changing roles (Minister of State Department for Science, Innovation and Technology)
50 On 21 April 2023 James Cartlidge was replaced by Gareth Davies as Exchequer Secretary to HM Treasury. James Cartlidge did not receive a severance payment due to changing roles (Minister of State – Ministry of Defence)
51 Ministers who have not attained the age of 65 and are not appointed to a relevant ministerial or other paid office within 3 weeks of the last day of service, are eligible for a severance payment of one quarter of the annual ministerial salary being paid.
52 Severance payments are presented to the nearest £1.

Treasury ministers – pension benefits (audited)

£'000	Accrued pension at pension age as at 31/3/25	Real increase in pension at pension age	CETV at 31/3/25	CETV at 31/3/24[53]	Real increase in CETV
Current Ministers					
Rachel Reeves Chancellor of the Exchequer	0-5	0-2.5	12	0	7
Darren Jones Chief Secretary to the Treasury	0-5	0-2.5	5	0	3
James Murray Exchequer Secretary to the Treasury	0-5	0-2.5	4	0	2
Lord Livermore Financial Secretary to the Treasury	N/A	N/A	N/A	N/A	N/A
Emma Reynolds Economic Secretary to the Treasury	0-5	0-2.5	4	0	3
Torsten Bell Parliamentary Secretary in the Treasury	0-5	0-2.5	1	0	1
Baroness Gustafsson of Chesterton OBE Minister for Investment from 10/10/2024	N/A	N/A	N/A	N/A	N/A
Former Ministers					
Tulip Siddiq Economic Secretary to the Treasury	0-5	0-2.5	3	0	1
Jeremy Hunt Chancellor of the Exchequer	20-25	0-2.5	380	373	3
Gareth Davies Exchequer Secretary to the Treasury	0-5	0-2.5	6	5	1
Laura Trott MBE Chief Secretary to the Treasury	0-5	0-2.5	10	8	1
Nigel Huddleston Financial Secretary to the Treasury	0-5	0-2.5	36	34	1
Bim Afolami Economic Secretary to the Treasury	0-5	0-2.5	3	2	1
Baroness Vere of Norbiton Treasury Lords Minister	10-15	0-2.5	170	164	3

Additional ministerial remuneration borne by HM Treasury (audited)

In addition to HM Treasury's departmental ministers, the department also bears the following ministerial salaries:

£'000	2024-25 (FYE)	2023-24 (FYE)
Current Ministers		
Keir Starmer Prime Minister (from 05/07/2024)[54]	**55–60 (75–80)**	–
Sir Alan Campbell MP Chief Whip, Commons (from 05/07/2024)	**20–25 (30–35)**	–
Mark Tami MP Deputy Chief Whip, Commons (from 10/07/2024)	**20–25 (30–35)**	–
Lord Kennedy of Southwark Chief Whip, Lords (from 10/07/2024)	**85–90 (115–120)**	–
Baroness Wheeler MBE Deputy Chief Whip, Lords (from 10/07/2024)	**75–80 (105–110)**	–
Former Ministers		
Rishi Sunak[52] Prime Minister (from 25/10/22 to 05/07/2024)	**15–20 (75–80)**	75–80
Simon Hart Chief Whip, Commons (from 25/10/22 to 05/07/2024)	**5–10 (30–35)**	30–35
Marcus Jones Deputy Chief Whip, Commons (from 27/10/22 to 05/07/2024)	**5–10 (30–35)**	30–35
Baroness Williams of Trafford Chief Whip, Lords (from 07/09/22 to 05/07/2024)	**30–35 (115–120)**	115–120
The Earl of Courtown Deputy Chief Whip, Lords (from 16/07/16 to 05/07/2024)	**25–30 (105–110)**	105–110
Baronesses and Lords-in-Waiting	**455–460**	495–500
Government and Assistant Government Whips	**245–250**	255–260

53 Figures have been restated where the administrator has made retrospective updates to the data.
54 In addition to the ministerial salary listed above, serving Prime Ministers receive a benefit in kind in respect of the use of the official Downing Street residence. Keir Starmer received a benefit of £5,600 and Rishi Sunak received a benefit of £2,000 in 2024-25 in respect of their roles as Prime Minister (2023-24: Rishi Sunak received £7,500).

Baronesses and Lords-in-Waiting[55] as at 31 March 2025

Current – 7 paid posts: Lord Collins of Highbury, Baroness Jones of Whitchurch, Baroness Anderson of Stoke-on-Trent, Lord Ponsonby of Shulbrede, Baroness Taylor of Stevenage, Baroness Twycross, Lord Leong CBE.

Former: Lord Harlech, Lord Caine, Lord Evans of Rainow, Lord Roborough and Lord Gascoigne.

Government and Assistant Government Whips as at 31 March 2025

Current – 14 posts: Samantha Dixon MP, Nicholas Dakin MP, Vicky Foxcroft MP, Jeff Smith MP, Anna Turley MP, Taiwo Owatemi MP, Christian Wakeford MP, Genevieve Kitchen MP, Keir Mather MP, Gerald Jones MP, Martin McCluskey MP, Anna McMorrin MP, Kate Dearden MP, Christopher Elmore MP.

Former: Rebecca Harris MP, Amanda Milling DBE, Amanda Solloway, Joy Morrissey MP, Stuart Anderson MP, Suzanne Webb OBE, Mark Jenkinson, Michael Wood OBE, Robert Largan, Scott Mann, Ruth Edwards, Gagan Mohindra MP, Mark Fletcher, Aaron Bell, Paul Holmes MP.

Additional ministers – severance payments (audited)

Ministers who have not attained the age of 65 and are not appointed to a relevant ministerial or other paid office within 3 weeks of the last day of service, are eligible for a severance payment of one quarter of the annual ministerial salary being paid. The table below represents the severance payments made to former ministers due to a change of government after the general election.

	2024-25		2023-24	
£[56]	Actual Severance Received	Severance Entitlement	Actual Severance Received	Severance Entitlement
Simon Hart Chief Whip, Commons (from 25/10/22 to 05/07/2024)	7,920	7,920	–	–
Marcus Jones Deputy Chief Whip, Commons (from 27/10/22 to 05/07/2024)	7,920	7,920	–	–
Baroness Williams of Trafford Chief Whip, Lords (from 07/09/22 to 05/07/2024)	–	20,371	–	–
Rebecca Harris MP Comptroller of HM Household, Government Whip (from 10/01/2018 to 05/07/2024)	–	4,479	–	–
Dame Amanda Milling DBE Lord Commissioner of HM Treasury, Government Whip (from 15/11/2023 to 05/07/2024)	4,479	4,479	–	–
Amanda Solloway Lord Commissioner of HM Treasury, Government Whip (from 20/09/2022 to 05/07/2024)	4,479	4,479	–	–
Joy Morrissey MP Lord Commissioner of HM Treasury, Government Whip (from 08/07/2022 to 05/07/2024)	4,479	4,479	–	–
Stuart Anderson MP Vice Chamberlain of HM Household, Government Whip (from 08/07/2022 to 05/07/2024)	–	4,479	–	–
Suzanne Webb OBE Assistant Government Whip (from 15/11/2023 to 05/07/2024)	4,479	4,479	–	–
Mark Jenkinson Assistant Government Whip (from 15/11/2023 to 05/07/2024)	4,479	4,479	–	–
Michael Wood OBE Lord Commissioner of HM Treasury, Government Whip (from 28/10/2022 to 05/07/2024)	4,479	4,479	–	–
Robert Largen Assistant Government Whip (from 27/10/2022 to 05/07/2024)	4,479	4,479	–	–
Scott Mann Lord Commissioner of HM Treasury, Government Whip (from 28/10/2022 to 05/07/2024)	4,479	4,479	–	–
Ruth Edwards Assistant Government Whip (from 07/02/2023 to 25/04/2024)	4,322	4,479	–	–
Gagan Mohindra MP Assistant Government Whip (from 18/09/2023 to 05/07/2024)	4,479	4,479	–	–

55 These are peers who hold office in the Royal Household of the sovereign of the United Kingdom.
56 Severance payments are presented to the nearest £1.

£[56]	2024-25 Actual Severance Received	2024-25 Severance Entitlement	2023-24 Actual Severance Received	2023-24 Severance Entitlement
Mark Fletcher Assistant Government Whip (from 15/11/2023 to 05/07/2024)	4,479	4,479	–	–
Aaron Bell Assistant Government Whip (from 15/11/2023 to 05/07/2024)	4,479	4,479	–	–
Paul Holmes MP Assistant Government Whip (from 26/04/2024 to 05/07/2024)	4,479	4,479	–	–
Lord Harlech, Lord in Waiting (from 22/09/2022 to 05/07/2024)	16,406	16,406	–	–
Lord Caine, Lord in Waiting (from 24/11/2022 to 05/07/2024)	16,406	16,406	–	–
Lord Evans of Rainow, Lord in Waiting (from 01/01/2023 to 05/07/2024)	16,406	16,406	–	–
Lord Gascoigne, Lord in Waiting (from 15/11/2023 to 05/07/2024)	16,406	16,406	–	–
Baroness Bloomfield, Lords Whip (Baroness in Waiting) (from 29/07/2019 to 18/05/23)	–	–	16,406	16,406
Lord Mott OBE, Lord in Waiting (from 02/06/2023 to 14/11/23)	–	–	16,406	16,406
Steven Double, Lord Commissioner of HM Treasury, Government Whip (from 28/10/2022 to 14/11/23)	–	–	4,479	4,479
Julie Marson, Assistant Government Whip (from 27/10/22 to 14/11/23)[57]	–	–	4,479	4,479

Staff Report

This part of the Remuneration and Staff Report provides details of staff numbers and costs, including pension costs and exit packages for the HM Treasury Group in 2024-25.

Except where the table presents average staff numbers, all figures are reported on an actual basis as at the reporting date. Unless otherwise stated, information is provided as headcount; figures shown as full-time equivalent (FTE) is clearly indicated in the relevant headings.

For information on staff matters, such as recruitment, Civil Service People Survey results and diversity see Strategic Enablers from page 38.

Analysis of staff costs (audited)

The following disclosures on staff costs (including pension costs), average number of persons employed and exit packages have been audited.

Staff Costs

In £m	Permanent staff	Other[58]	Ministers	2024-25 Total	2023-24 Total
Wages and salaries	230	15	1	246	239
Social security costs	28	–	–	28	26
Staff pension costs	39	–	–	39	32
Sub total	**297**	**15**	**1**	**313**	**297**
Less recoveries in respect of outward secondments	(1)	–	–	(1)	(2)
Total net costs	**296**	**15**	**1**	**312**	**295**
Core department and agencies	205	5	1	211	209
Departmental group	92	10	–	102	88
Total costs	**297**	**15**	**1**	**313**	**297**

57 Previously held the same role 08/07/22 to 19/09/22.
58 'Other' relates to non-permanent staff such as short-term contract, agency and temporary staff, as well as staff seconded in from other bodies.

Average number of full-time equivalent persons employed

	Ministers	Special advisers	Permanent staff	Other	2024-25 Number Total	2023-24 Number Total
Core department and agencies	6	10	2,572	64	2,652	2,719
ALBs and other bodies	–	–	1,004	89	1,093	1,046
Total persons employed	**6**	**10**	**3,576**	**153**	**3,745**	**3,765**

Special advisers are temporary civil servants. To improve efficiency, the administration of staff costs for all special advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore, all special adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special advisers remain employed by the respective Department of their appointing Minister.

Staff pension costs

Staff pension costs for permanent staff totalled £46m in 2024-25 (2023-24: £35m), are primarily comprising employer contributions. This includes £40.9m (2023-24: £38.6m) payable to the Civil Service Pension schemes[59], £7.7m (2023-24: £6.1m) payable to defined contribution schemes. There is a £9.9m net credit (2023-24: £10m net credit) for UK Asset Resolution (UKAR) pension schemes and post-retirement healthcare benefits. The UKAR schemes are in surplus at the reporting date and the credit reflects the net interest income on the schemes.

A legal due diligence exercise is being undertaken by UKAR ahead of the potential transfer of the pension schemes to Government, which has identified that some aspects of the schemes' need to be considered further to ensure that they are consistent with their rules. These legal investigations remain ongoing with no conclusions having been reached by UKAR and the trustees, so no provision for these have been included in the group accounts. These potential differences will result in the UKAR accounts being finalised after the HM Treasury Group. This will be revisited next year by which point the legal investigations and agreement of any administration changes are expected to have concluded.

For avoidance of doubt, these areas of investigation are in relation to the consistency of the schemes' administration practice with their rules, and in particular are not related to confirmations under Section 37 of the Pensions Schemes Act 1993.

The Civil Servants and Others Pension Scheme (alpha) was introduced as a new pension scheme for civil servants from 1 April 2015. Details regarding the transition arrangements between alpha and the Principal Civil Service Pension Scheme (PCSPS) are provided on pages 86 to 87. The PCSPS was valued by the scheme actuary as at 31 March 2020, with further information available in the valuation report prepared by the Government Actuary's Department.

For 2024-25, employer contributions of £40.9 million (2023-24: £38.6 million) were payable to the PCSPS at a rate of 28.97% of pensionable earnings. The scheme actuary reviews employer contribution rates typically every four years, following a full scheme valuation. Contribution rates are set to fund the cost of benefits accrued during the reporting period, which will be paid upon members' retirement, rather than the benefits paid to current pensioners during the period.

Employees may choose to open a partnership pension account, which is a stakeholder pension with employer contributions. During 2024-25, employer contributions of £0.3 million (2023-24:

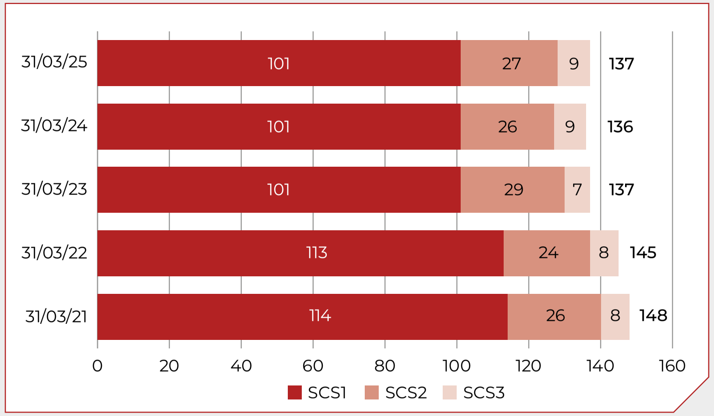
59 The Civil Service Pension schemes are unfunded multi-employer defined benefit schemes; however as the department is unable to identify the share of the underlying assets and liabilities they are treated as defined contribution schemes.

£0.3 million) were paid to one or more of a panel of three appointed stakeholder pension providers. These contributions are age-related and, since 1 October 2015, have ranged from 8.0% to 14.75% of pensionable pay. In addition, employer contributions of 0.5% of pensionable pay, amounting to £36,200 (2023-24: £9,900), were payable to the Civil Service Pension schemes to cover the future provision of lump sum benefits in the event of death in service or ill health retirement for these employees.

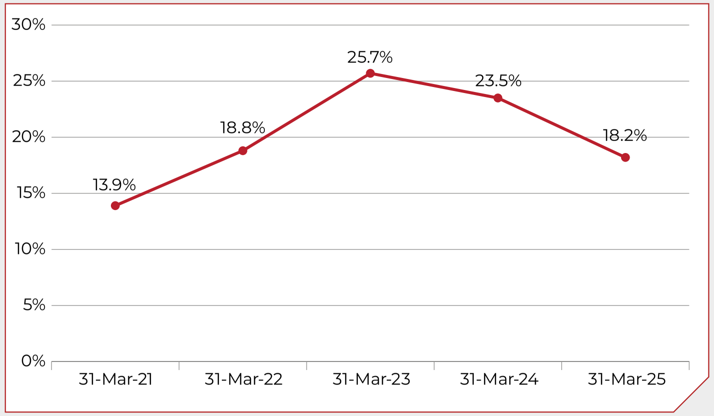
Further details of the HM Treasury Group's pension schemes are provided in Note 10 – Net pension asset.

Workforce dynamics[60]

Core Treasury – Number of Senior Civil Servants by pay band (FTE), as at 31 March 2025 with trend:



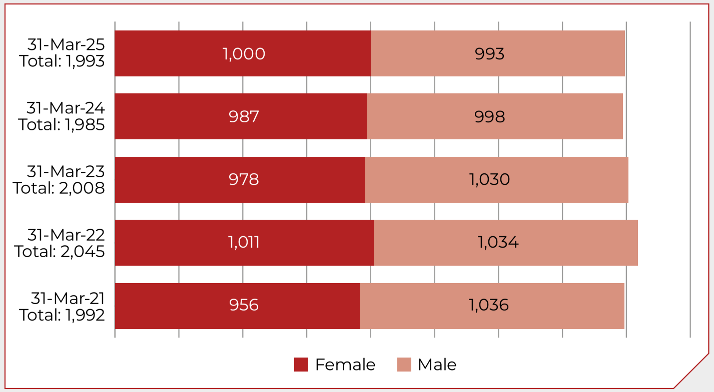
Core Treasury – Turnover, as at 31 March 2025 with trend:



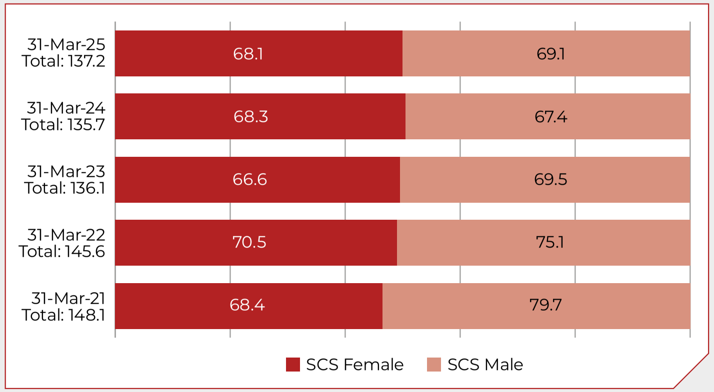
Turnover within the department is on a downward trend but remains higher than the Civil Service average. Given the nature of our work and our status as an accelerator department, we would expect turnover to be slightly above the Civil Service average of 7%. However, we believe that ongoing improvements to line management and staff wellbeing will help us retain staff for longer and continue to reduce turnover where possible.

Core Treasury – Staff composition (FTE) as at 31 March 2025

All staff by gender, as at 31 March 2025 with trend:

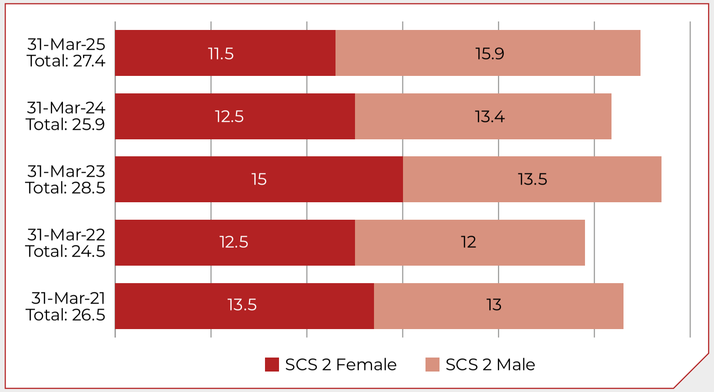


Senior Civil Service by gender, as at 31 March 2025 with trend:



60 HM Treasury does not publish diversity data where it relates to a group of less than 5 people, on the basis that it may identify individuals. This is represented in the tables as blank or n/a.

Directors (SCS2) by gender, as at 31 March 2025 with trend:

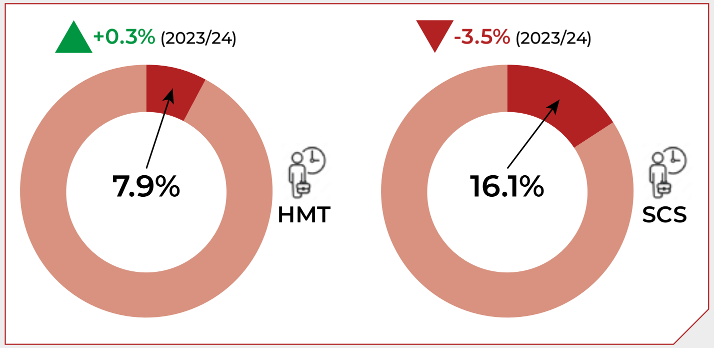


Core Treasury – Diversity

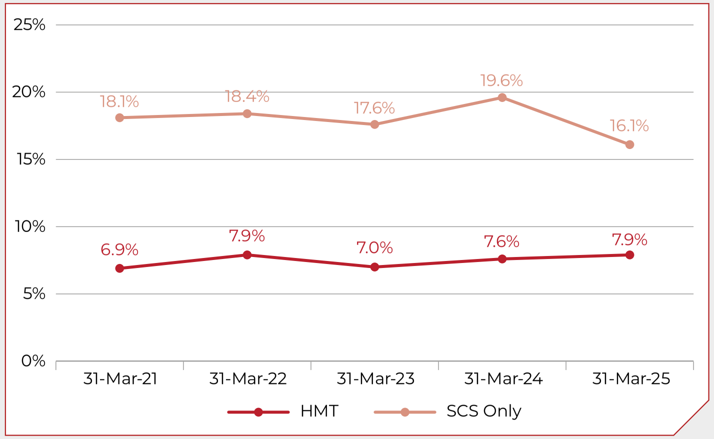
See also page 38 of the performance report for HM Treasury's work on diversity, inclusion and belonging during the year.

Part Time Employees

HMT and SCS as at 31 March 2025:

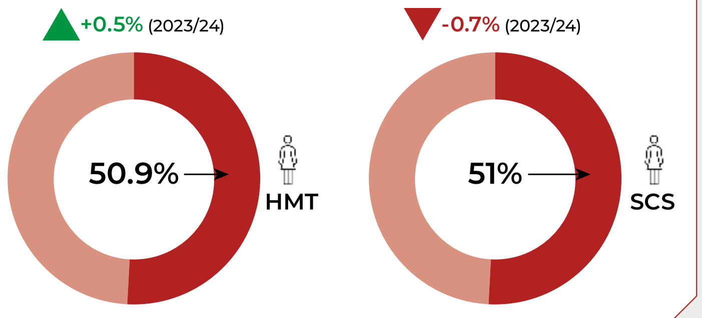


Part-time employees HMT and SCS trend:

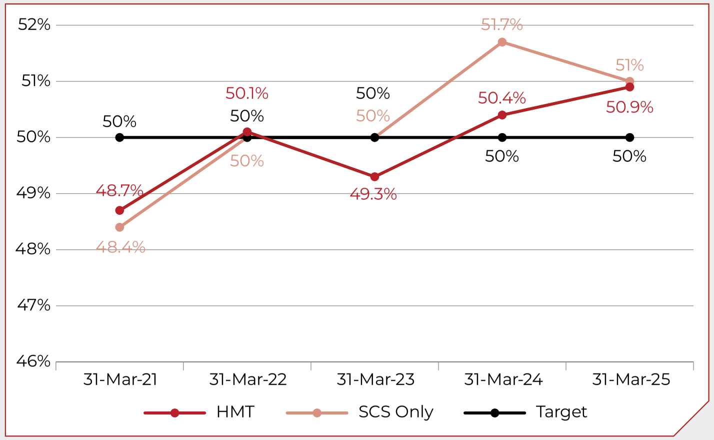


Female employees

HMT and SCS as at 31 March 2025:

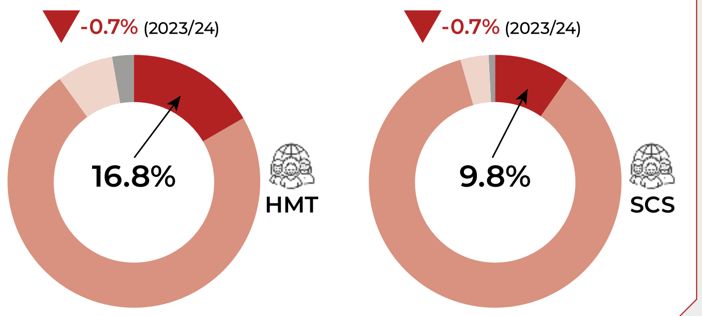


Female employees HMT and SCS trend:

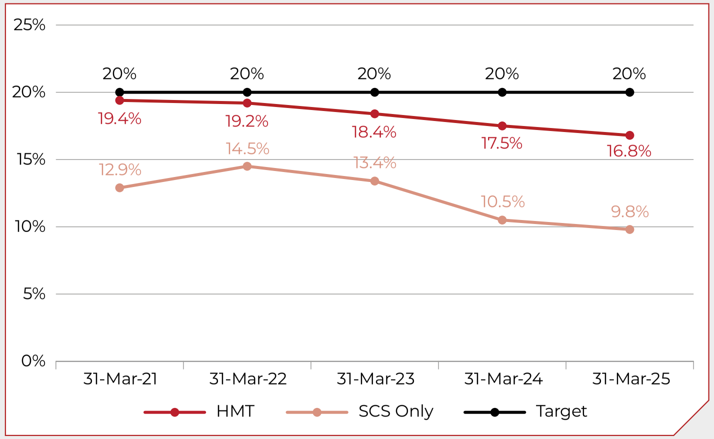


Diverse Ethnic Background Employees

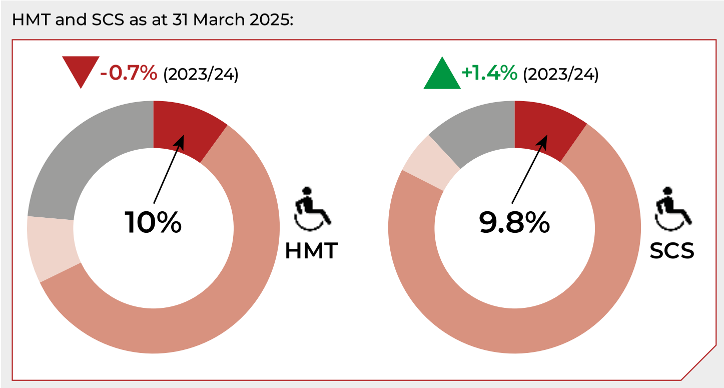
HMT and SCS as at 31 March 2025:

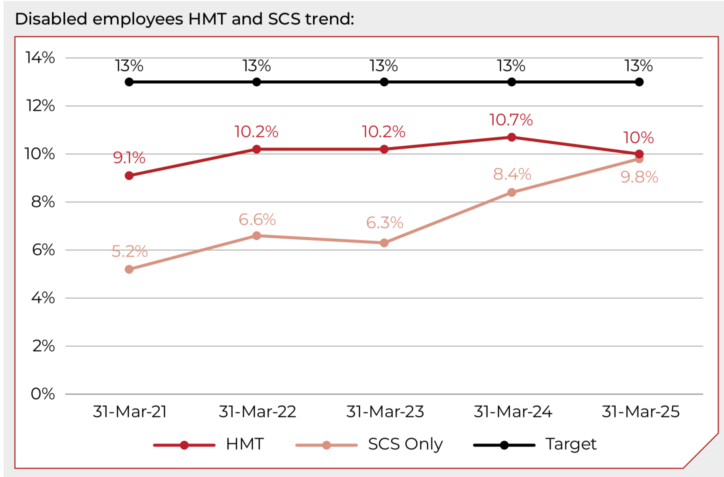


Diverse ethnic background employees HMT and SCS trend:

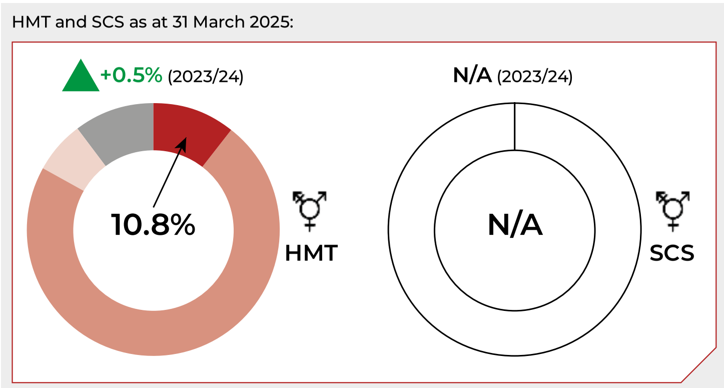


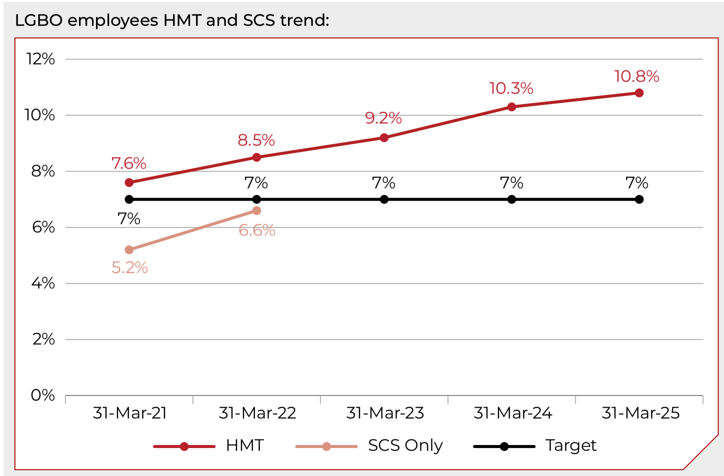
Disabled Employees





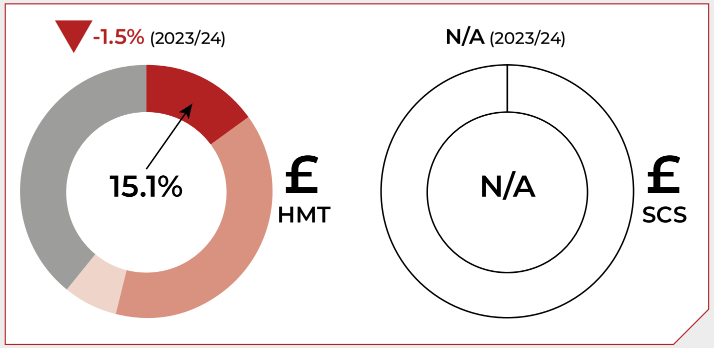
Lesbian, gay, bisexual, other (LGBO) employees



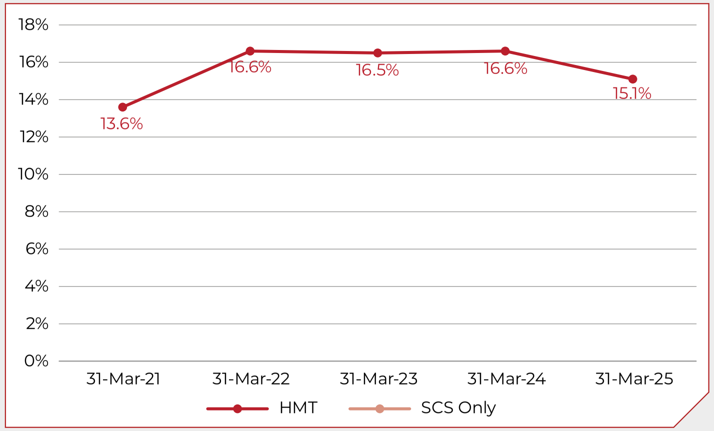


Lower socio-economic background (LSEB) employees

HMT and SCS as at 31 March 2025:

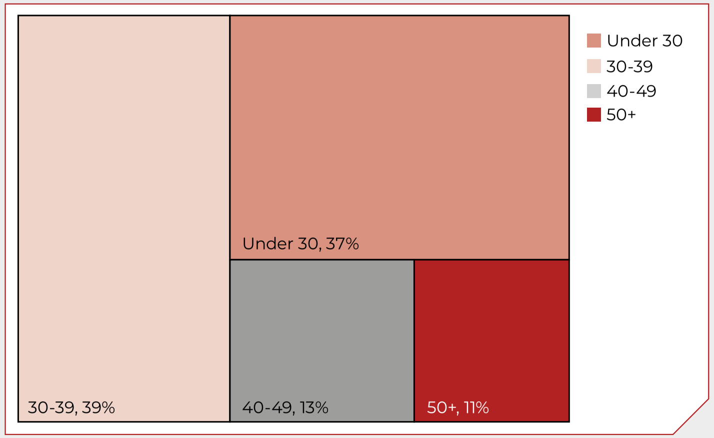


LSEB employees HMT and SCS trend:

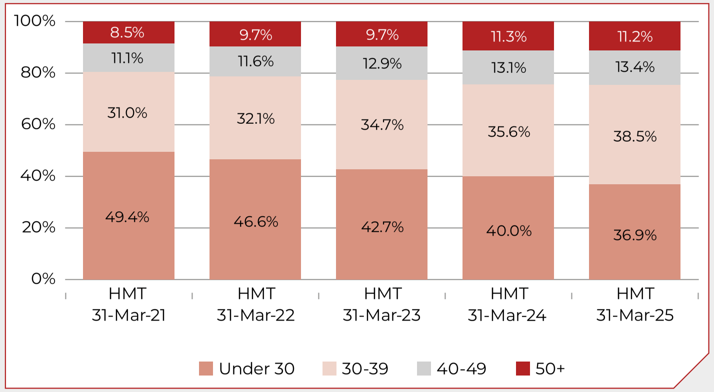


Age Bands

HMT and SCS as at 31 March 2025:



Aged bands 5 year trend:



It is important to note that the overall size of the department has reduced, which has had a consequential impact on our diversity statistics. While some of the changes in representation are a result of this contraction, we remain fully committed to increasing diversity and inclusion across all areas of the department. We continue to monitor trends closely and to implement initiatives that support a more diverse and inclusive workforce.

Recent diversity trends within the department also reflect a degree of intersectionality, particularly in relation to working patterns and gender representation. For example, the reduction in the number of female staff has contributed to a decrease in the proportion of part time roles. This highlights the interconnected nature of diversity characteristics and the importance of considering these relationships when analysing workforce data. With regard to statistics on staff from lower socio-economic backgrounds (LSEB), we are aware that our reported figures may not fully reflect the actual composition of the department. This is likely due to lower disclosure rates, as many staff choose not to disclose. We are working to improve disclosure rates and encourage more accurate reporting, so that we can better understand our workforce and target our efforts to support socio-economic diversity.

Health, safety and wellbeing

Sickness absence

During the calendar year, the average working days lost (AWDL) per employee across the department was 2.8 days (2023: 3.31). This remains below the latest available Civil Service average of 7.8 (as at 31 March 2024).

Trade Union Facilities Time[61] and Percentage pay bill

A total of seven employees (equivalent to six full time equivalents) acted as relevant union officials during the relevant period. The total cost of facility time was £15,946.50, representing less than 1% of a total pay bill of £154.3m (2023-24: total cost of facility time £5,860.08 out of a total pay bill of £143.3m).[62]

Exit Packages (audited)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972.

Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The tables below show the total exit packages for the period ended 31 March 2025. Figures for the period ending 31 March 2024 are shown in brackets.

61 HM Treasury has no agreement in place for facilities time and therefore has nothing to disclose in relation to the percentage of time spent on facility time or paid trade union activities by employees.
62 Calculated as the total gross amount spent on wages, employer pension contributions and employer National Insurance contributions during the period.

Core Treasury and Agencies – Figures for the period ending 31 March 2024 are shown in brackets.

Exit package cost band	Compulsory redundancies	Other departures	Total
<£10,000	–(1)	5(3)	5(4)
£10,000 – £25,000	–	–	–
£25,000 – £50,000	–	–	–
£50,000 – £100,000	–	–	–
£100,000 – £150,000	–	1(–)	1(–)
£150,000 – £200,000	–	–	–
>£200,000	–	–	–
Total number of exit packages	**–(1)**	**6(3)**	**6(4)**
Total cost (£'000)	**–(9)**	**126(13)**	**126(22)**

Group[63] – Figures for the period ending 31 March 2024 are shown in brackets.

Exit package cost band	Compulsory redundancies	Other departures	Total
<£10,000	–(1)	5(3)	5(4)
£10,000 – £25,000	–	–	–
£25,000 – £50,000	–	–	–
£50,000 – £100,000	–	–	–
£100,000 – £150,000	–	1(–)	1(–)
£150,000 – £200,000	–	–	–
>£200,000	–	–	–
Total number of exit packages	**–(1)**	**6(3)**	**6(4)**
Total cost (£'000)	**–(9)**	**126(13)**	**126(22)**

Special Adviser termination benefits

In accordance with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, the appointment of a special adviser automatically ends when their appointing Minister leaves office. Special advisers are not entitled to a notice period; however, they receive contractual termination benefits in recognition of this arrangement. These termination benefits are determined by length of service and are capped at a maximum of six months' salary.

Should a special adviser return to employment with HM Government after receiving a severance payment, they are required to repay the amount received less a deduction equivalent to wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts.

Consultancy

Consultancy and contingent labour

	2024-25		2023-24	
In £m	Core Treasury and agencies	Group	Core Treasury and agencies	Group
Consultancy	4	15	6	33
Contingent labour	4	14	4	21
Total	**8**	**29**	**10**	**54**

63 Exit packages are paid, where applicable, in accordance with the terms of the Civil Service Compensation Scheme. Some group entities, such as UKAR do not make payments under the above scheme but under other schemes.

HM Treasury, its agencies and arm's length bodies use professional service providers to support specialist work. This includes consultancy, contingent labour (temporary workers), legal advice and IT expertise.

Off-payroll

Off-payroll arrangements are those where individuals, either self-employed or acting through a personal service company (PSC) are paid gross by the employer.

The tables below show off-payroll engagements for all bodies which are consolidated into the HM Treasury Group. Entities with nil return for all tables are not included for disclosure.

Off-payroll engagements as of 31 March 2025, earning £245[64] per day or greater

	Core Treasury	DMO	NWF	RFL
The total number of existing engagements	3	14	10	5
Of which:				
No. that have existed for less than 1 year at time of reporting	2	7	7	3
No. that have existed for between 1 and 2 years at time of reporting	–	1	1	1
No. that have existed for between 2 and 3 years at time of reporting	–	–	2	–
No. that have existed for between 3 and 4 years at time of reporting	1	1	–	1
No. that have existed for 4 or more years at time of reporting	–	5	–	–

All off-payroll engagements at any point during the year ended 31 March 2025 and earning £245 per day or greater

	Core Treasury	DMO	NWF	GIAA	RFL
The total number of engagements	29	25	42	1	5
Of which:					
Not subject to off-payroll legislation[65]	–	–	42	–	–
Subject to off-payroll legislation and determined in-scope of IR35	20	25	–	–	–
Subject to off-payroll legislation and determined as out-of-scope of IR35	9	–	–	1	5
No. of engagements reassessed for compliance or assurance purposes during the year	–	–	–	–	–
Of which:					
No. of engagements that saw a change to the IR35 status following review	–	–	–	–	–

None of these engagements were direct (via PSC, contracted to the department) and are not on the payroll.

64 The £245 threshold is set to approximate the minimum pay scale for a Senior Civil Servant
65 A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the department must undertake an assessment to determine whether that worker is in-scope of intermediary's legislation (IR35) or out-of-scope for tax purposes.

Off-payroll engagements between 1 April 2024 and 31 March 2025 for board members, and/or senior officials with significant financial responsibility

	Core Treasury	DMO	NWF
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the financial year	–	–	2
Total no. of individuals on payroll and off payroll that have been deemed "board members and/or senior officials with significant financial responsibility," during the financial year. This figure includes both on-payroll and off-payroll engagements.	16	9	20

James Bowler CB
Permanent Secretary
17 July 2025

Parliamentary Accountability and Audit Report

The parliamentary accountability and audit report presents the department's expenditure against the budgets set by Parliament and the audit opinion on the financial statements prepared by the National Audit Office.

Statement of Outturn against Parliamentary Supply (audited)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires HM Treasury to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows how an entity has spent against the Supply Estimate in detail. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, the accounts will receive a qualified opinion.

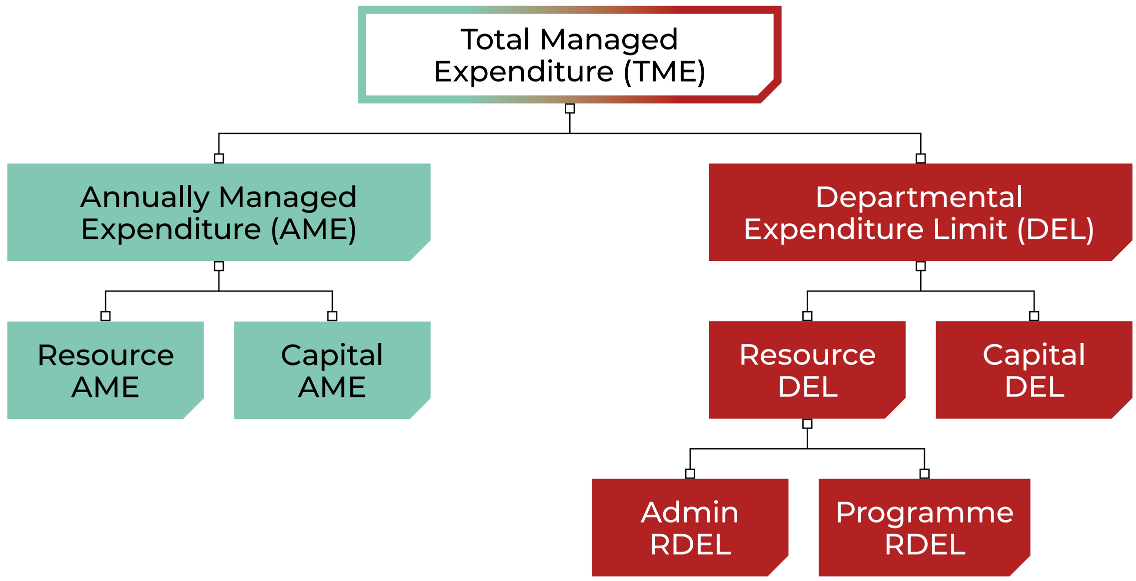
The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament has voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE), to tie the SOPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

The SOPS and Estimates are compiled against the budgeting framework, which is similar but different to IFRS. HM Treasury sets the budgetary framework for government spending.

Figure 13: The budgeting system



The total amount a department spends is referred to as the Total Managed Expenditure (TME); which is split into:

- Annually Managed Expenditure (AME)
- Departmental Expenditure Limit (DEL)

AME budgets are volatile or demand-led in a way the department cannot control. The department monitors AME forecasts closely and updates them annually.

HM Treasury set firm limits for DEL budgets, as DEL budgets are understood and controllable. The limit is set at spending reviews which are usually reviewed every two years.

Budgets are also split into resource and capital categories:

- 'Resource' captures current expenditure.
- 'Capital' captures new investment and financial transactions.

Resource DEL includes a further split into:

- 'programme' budgets for frontline service provision.
- 'admin' budgets such as back-office functions, rent and IT.

Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance.

Summary table

Summary table, 2024-25, all figures presented in £000's

		Outturn			Estimate			Outturn vs Estimate, saving/ (excess)		Prior Year Outturn Total 2023-24
Type of spend	**SOPS note**	**Voted**	**Non-Voted**	**Total**	**Voted**	**Non-Voted**	**Total**	**Voted**	**Total**	**Total**
Departmental Expenditure Limit (DEL)										
Resource	1.1	337,198	2,345	339,543	364,992	2,348	367,340	27,794	27,797	364,082
Capital	1.2	765,302	–	765,302	769,474	–	769,474	4,172	4,172	1,095
Total Departmental Expenditure Limit (DEL)		**1,102,500**	**2,345**	**1,104,845**	**1,134,466**	**2,348**	**1,136,814**	**31,966**	**31,969**	**365,177**
Total Annually Managed Expenditure (AME)										
Resource	1.1	34,601,391	5,065	34,606,456	69,256,859	4,300	69,261,159	34,655,468	34,654,703	38,183,075
Capital	1.2	29,296,161	–	29,296,261	34,069,867	–	34,069,867	4,773,706	4,773,706	41,432,198
Total AME		**63,897,552**	**5,065**	**63,902,617**	**103,326,726**	**4,300**	**103,331,026**	**39,429,174**	**39,428,409**	**79,615,273**
Total Budget										
Resource	1.1	34,938,589	7,410	34,945,999	69,621,851	6,648	69,628,499	34,683,262	34,682,500	38,547,157
Capital	1.2	30,061,463	–	30,061,463	34,839,341	–	34,839,341	4,777,878	4,777,878	41,433,293
Total Budget Expenditure		**65,000,052**	**7,410**	**65,007,462**	**104,461,192**	**6,648**	**104,467,840**	**39,461,140**	**39,460,378**	**79,980,450**
Non-Budget Expenditure		–	–	–	–	–	–	–	–	–
Total Budget and Non-budget		**65,000,052**	**7,410**	**65,007,462**	**104,461,192**	**6,648**	**104,467,840**	**39,461,140**	**39,460,378**	**79,980,450**

Figures in the areas outlined in thick line cover the voted control limits vote by Parliament. Refer to Supply Estimates guidance manual available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2024-25, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2023-24
Net Cash Requirement	3	30,849,500	36,978,813	6,129,313	49,201,351

Administration costs 2024-25, all figures presented in £000's

Type of spend	SOPS note	Outturn	Estimate	Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total 2023-24
Administration Costs	1.1	328,007	354,340	26,333	329,657

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Outturn against Parliamentary Supply, 2024-25 (£000's)

SOPS1 Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate Line (in £000's)

	Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate, savings/(excess)	Prior Year Outturn Total 2023-24
		Administration			Programme								
		Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
Spending in Department Expenditure Limit (DEL)													
Voted expenditure													
A	Core Treasury	238,806	(17,170)	221,636	13,114	(3,919)	9,195	230,831	233,775	–	233,775	2,944	253,868
B	Debt Management Office	22,550	(5,839)	16,711	–	–	–	16,711	18,210	–	18,210	1,499	17,190
C	Government Internal Audit Agency	44,705	(46,598)	(1,893)	–	–	–	(1,893)	2,584	–	2,584	4,477	2,539
D	UK Asset Resolution Ltd (net)	5,047	-	5,047	–	–	–	5,047	5,325	–	5,325	278	4,998
E	Office for Budget Responsibility (net)	5,129	-	5,129	–	–	–	5,129	5,274	–	5,274	145	5,416
H	HM Treasury UK Sovereign Sukuk plc (net)	–	–	–	(4)	–	(4)	(4)	1	–	1	5	-4
I	Royal Mint Advisory Committee (net)	–	–	–	–	–	–	–	1	–	1	1	–
J	National Infrastructure Commission	4,669	(119)	4,550	–	–	–	4,550	4,858	–	4,858	308	4,963
K	UK Government Investments Limited (Net)	17,675	–	17,675	–	–	–	17,675	22,164	–	22,164	4,489	17,741
L	National Wealth Fund (net)	59,152	–	59,152	–	–	–	59,152	72,800	–	72,800	13,648	55,029
Total Voted DEL		**397,733**	**(69,726)**	**328,007**	**13,110**	**(3,919)**	**9,191**	**337,198**	**364,992**	**–**	**364,992**	**27,794**	**361,740**
Voted expenditure													
M	Banking and gilts registration services	–	–	–	17,091	(14,746)	2,345	2,345	2,348	–	2,348	3	2,342
Total Non-voted DEL		**–**	**–**	**–**	**17,091**	**(14,746)**	**2,345**	**2,345**	**2,348**	**–**	**2,348**	**3**	**2,342**
Total spending in DEL		**397,733**	**(69,726)**	**328,007**	**30,201**	**(18,665)**	**11,536**	**339,543**	**367,340**	**–**	**367,340**	**27,797**	**364,082**

	Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate, savings/(excess)	Prior Year Outturn Total 2023-24
		Administration			Programme								
		Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
Spending in Annually Managed Expenditure (AME)													
Voted expenditure													
N	Core Treasury (AME)	–	–	–	220	–	220	220	1,800	–	1,800	1,580	(12,468)
O	Debt Management Office	–	–	–	5,330	(2,238)	3,092	3,092	3,440	–	3,440	348	3,453
P	UK circulating coinage	–	–	–	4,981	(1,605)	3,376	3,376	8,300	–	8,300	4,924	578
-	Royal Mint Dividend	–	–	–	–	–	–	–	–	–	–	–	1,068
R	Assistance to financial institutions, businesses and individuals	–	–	–	34,841,804	(152,252)	34,689,552	34,689,552	67,909,250	–	67,909,250	33,219,698	39,774,034
S	Royal Household (net)	–	–	–	84,910	–	84,910	84,910	91,604	–	91,604	6,694	89,097
T	UK Asset Resolution Ltd (net)	–	–	–	3,929	–	3,929	3,929	20,548	–	20,548	16,619	1,101
	Help to Buy (HMT) Limited (net)	–	–	–	–	–	–	–	–	–	–	–	–
U	Help to Buy Schemes	–	–	–	5,926	(20,459)	(14,533)	(14,533)	(3,800)	–	(3,800)	10,733	2,844
V	EU Withdrawal Agreement Financial Settlement	–	–	–	289,683	–	289,683	289,683	1,362,849	–	1,362,849	1,073,166	(1,502,566)
W	Reclaim Fund Ltd (net)	–	–	–	(14,072)	–	(14,072)	(14,072)	(10,738)	–	(10,738)	3,334	(87,848)
X	National Wealth Fund (net)	–	–	–	23,793	–	23,793	52,793	210,000	(23,113)	186,887	163,094	17,270
Y	Pool Reinsurance Company Limited (net)	–	–	–	(275,538)	–	(275,538)	(275,538)	(224,651)	23,113	(201,538)	74,000	(345,339)
Z	Provisions	–	–	–	(193,021)	–	(193,021)	(193,021)	(111,743)	–	(111,743)	81,278	237,066
Total Voted AME		**–**	**–**	**–**	**34,777,945**	**(176,554)**	**34,601,391**	**34,601,391**	**69,256,859**	**–**	**69,256,859**	**34,655,468**	**38,178,290**
Non-voted expenditure													
AA	Royal Household Pensions	–	–	–	5,342	(277)	5,065	5,065	4,300	–	4,300	(765)	4,785
Total Non-voted AME		**–**	**–**	**–**	**5,342**	**(277)**	**5,065**	**5,065**	**4,300**	**–**	**4,300**	**(765)**	**4,785**
Total spending in AME		**–**	**–**	**–**	**34,783,287**	**(176,831)**	**34,606,456**	**34,606,456**	**69,261,159**	**–**	**69,261,159**	**34,654,703**	**38,183,075**
Total Resource		**397,733**	**(69,726)**	**328,007**	**34,813,488**	**(195,496)**	**34,617,992**	**34,945,999**	**69,628,499**	**–**	**69,628,499**	**34,682,500**	**38,547,157**

SOPS1.2 Analysis of capital outturn by Estimate line (in £000's)

		Outturn			Estimate				
Type of spend (Capital)		**Gross**	**Income**	**Net total**	**Total**	**Virements**	**Total inc. virements**	**Outturn vs Estimate, saving/(excess)**	**Prior Year Outturn Total 2023-24**
Spending in Departmental Expenditure Limits (DEL)									
Voted expenditure									
A	Core Treasury	753,698	(67)	753,631	756,332	–	756,332	2,701	823
B	Debt Management Office	332	–	332	610	–	610	278	323
C	Government Internal Audit Agency	26	–	26	30	–	30	4	44
F	IUK Investments Limited (net)	–	–	–	1	–	1	1	–
G	IUK Investments Holdings Limited (net)	–	–	–	1	–	1	1	–
J	National Infrastructure Commission	195	(3)	192	700	–	700	508	475
K	UK Government Investments Limited (Net)	–	–	–	–	–	–	–	205
L	National Wealth Fund (net)	11,121	–	11,121	11,800	–	11,800	679	(775)
Total voted DEL		**765,372**	**(70)**	**765,302**	**769,474**	**–**	**769,474**	**4,172**	**1,095**
Total spending in DEL		**765,372**	**(70)**	**765,302**	**769,474**	**–**	**769,474**	**4,172**	**1,095**
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
Q	Sale of shares	–	(8,155,898)	(8,155,898)	(4,306,702)	–	(4,306,702)	3,849,196	(3,484,371)
R	Assistance to financial institutions, businesses and individuals	36,322,915	–	36,322,915	36,322,916	–	36,322,916	1	44,548,944
–	Loans to Ireland	–	–	–	–	–	–	–	–
S	Royal Household (net)	10,975	–	10,975	3,067	7,908	10,975	–	4,100
U	Help to Buy Schemes	117,734	–	117,734	128,000	(7,908)	120,092	2,358	111,908
V	EU Withdrawal Agreement Financial Settlement	–	(250,818)	(250,818)	(250,818)	–	(250,818)	–	(260,000)
W	Reclaim Fund Ltd (net)	136,104	–	136,104	148,266	–	148,266	12,162	(117,882)
X	National Wealth Fund (net)	1,147,503	–	1,147,503	1,939,000	–	1,939,000	791,497	603,837
Y	Pool Reinsurance Company (net)	(32,354)	–	(32,354)	86,138	–	86,138	118,492	25,662
Total voted AME		**37,702,877**	**(8,406,716)**	**29,296,161**	**34,069,867**	**–**	**34,069,867**	**4,773,706**	**41,432,198**
Total spending in AME		**37,702,877**	**(8,406,716)**	**29,296,161**	**34,069,867**	**–**	**34,069,867**	**4,773,706**	**41,432,198**
Total Capital		**38,468,249**	**(8,406,786)**	**30,061,463**	**34,839,341**	**–**	**34,839,341**	**4,777,878**	**41,433,293**

The total Estimate columns include virements which are reallocations of provision within Estimates that do not require separate parliamentary authority as Parliament delegates this level of detail to HM Treasury. Further information on virements is provided in the Supply Estimates Manual.

The outturn vs Estimate column is based on the total including virements. The Estimate total before virements is also shown to enable users to reconcile the figures with those laid before Parliament.

Explanation of key variances between Estimates and net resource outturn as at 31 March 2025

SOPS 1.1 Analysis of resource outturn by Estimate line

Spending in Department Expenditure Limit (DEL)

A: Core Treasury

Underspends against budget have been primarily driven by lower than anticipated activity on some of the department's programmes, including on Sizewell C and support for the COVID Inquiry, as well as a small amount of contingency held for a number of other risks that did not materialise over the second half of the financial year.

L: National Wealth Fund (NWF)

The £14 million underspend against budget of was primarily attributable to lower-than-expected staff costs, savings on major projects and lower than anticipated expenditure on legal and consultancy fees.

Spending in Annually Managed Expenditure (AME)

R: Assistance to Financial Institutions, businesses and individuals

Budget cover of £67.9bn was sought at the Supplementary Estimate 2024-25 for a potential decrease in the fair value of the Bank of England Asset Purchase Facility Fund (BEAPFF). For more information see Note 13 – Derivatives.

V: EU Withdrawal Agreement Financial Settlement

The variance reflects changes in provisions, payables, and receivables relating to the Financial Settlement following the UK's exit from the European Union (see Note 15 – EU Financial Settlement).

To mitigate the risk of breaching control totals amid exchange rate and asset/liability uncertainty, budgetary cover was set at a £1.4 billion net increase in liability, resulting in the disclosed variance.

X: National Wealth Fund

The underspend in the National Wealth Fund is primarily due to the deferral of project drawdowns beyond 2024-25, reflecting the long-term nature of complex infrastructure projects and resulting in a variance against the C-AME budget. Additionally, R-AME has been affected by higher than anticipated credit losses.

Z: Provisions

The variance is largely driven by the reduction in the provision for claims under Decommissioning Relief Deeds, following changes to the expected claims by oil and gas companies.

SOPS 1.2 Analysis of capital outturn by Estimate line

Spending in Department Expenditure Limit (DEL)

A: Core Treasury

The final capital position has come in within control totals. The departmental CDEL budget was increased significantly in 2024-25 at Supplementary Estimates after Ministerial agreement to funding the £2.26bn Extraordinary Revenue Acceleration (ERA) loan to Ukraine. The first tranche of this (£753m) was paid in 2024-25.

Spending in Annually Managed Expenditure (AME)

Q: Sale of Shares

Due to potential market sensitivity, no estimate for NatWest share sale income is included in the HM Treasury Estimate in advance of it being earnt. The 2024-25 budget figure is therefore income to 31 October, as included at Supplementary, with the variance relating to sales in the remainder of the financial year.

X: National Wealth Fund

See above.

Y: Pool Reinsurance Company Limited "Pool Re"

Pool Re's Capital AME budget provided for a net purchase of debt and equity securities of £86m. This was based on forecasted cash requirements, with variances arising from factors such as the performance of Pool Re's investment fund. The final outturn was £33 million of income, reflecting a net sales position rather than a net purchase.

SOPS2 Reconciliation of outturn to net operating expenditure (in £000's)

Item	Note	Outturn total 2024-25	Prior Year Outturn Total 2023-24
Total Resource outturn	**SOPS 1.1**	**34,945,999**	**38,547,157**
Add: Capital Provisions		117,734	111,908
Non-budget Commitments		1,277,467	–
Capital grants distributed		455,667	
Capital Research		190	467
Call of Guarantees		1,059	12
Total		**1,852,317**	**112,387**
Less: Income payable to the Consolidated Fund		(264,626)	(214,641)
Total		**(264,626)**	**(214,641)**
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SoCNE**	**36,533,490**	**38,444,903**

HM Treasury uses one system to plan and track spending (the budgeting framework) and another system for official financial reporting (IFRS). These two systems work in similar ways, but there are some important differences between them, because of this, we provide a reconciliation that helps show how the spending figures in our budget reports match up with the numbers in our financial statements. This makes it clear how the money we plan to spend compares to what is reported in our annual accounts. Some examples of this are included below:

Capital grants are accounted for as expenditure in the financial statements but are budgeted for as CDEL. The capital grants arising from provisions are Help to Buy ISA bonus payments which are charged against Capital AME within the SOPS capital outturn.

When HM Treasury issues a financial guarantee (a promise to pay if certain events happen), the expected cost is included in the budget as Resource Annually Managed Expenditure (Resource AME) and shown as expenditure in the financial statement at that time. If the guarantee is actually needed and the government has to pay out (the guarantee is "called"), the earlier cost in Resource AME is cancelled, and the actual payment is recorded as Capital AME instead.

Income payable to the Consolidated Fund[66] does not appear within the budgetary framework but is accounted

66 The Consolidated Fund is where most public money is held and from where it is distributed, under the authority of Parliament, to fund government activities.

for as expenditure in the financial statements. The income payable to the Consolidated Fund primarily relates to £262m (2023-24: £209m) fees from the Pool Re retrocession agreement, which will be paid over to the Consolidated Fund when they have been received by HM Treasury.

Research meeting the ESA10[67] definitions of research, but not the IFRS criteria for intangible assets are budgeted for as Capital DEL but accounted as expenditure in the financial statements. The research costs relate to research undertaken by the National Infrastructure Commission.

Capital grants distributed and non-budget commitments relate to the element of current and future distributions to Ukraine under the ERA (Extraordinary Revenue Acceleration) scheme, that pass through the SoCNE. These are recorded as Capital AME in the year that each tranche of funds is distributed.

SOPS3 Reconciliation of net resource outturn to net cash requirement (in £000)

Item	Note	Outturn total	Estimate	Outturn vs Estimate, saving/ (excess)
Resource Outturn	**SOPS 1.1**	**34,945,999**	**69,628,499**	**34,682,500**
Capital Outturn	**SOPS 1.2**	**30,061,463**	**34,839,341**	**4,777,878**
Adjustments for ALBs and other bodies:				
Remove voted resource and capital		(152,857)	(2,380,601)	(2,227,744)
Add cash grant-in-aid		184,412	2,393,345	2,208,933
Adjustments to remove non-cash items:				
Depreciation		(7,663)	(9,317)	(1,654)
Derivative fair value movements		(34,841,915)	(68,000,000)	(33,158,085)
New provisions and adjustments to previous provisions		(652,394)	(1,251,106)	(598,712)
Other non-cash items		384,863	(200)	(385,063)
Adjustments to reflect movements in working balances				
Increase in inventory		(3,916)	–	3,916
Increase in receivables		(1,785,018)	–	1,785,018
Increase in payables		821,135	–	(821,135)
Use of provisions		1,902,801	1,765,500	(137,301)
Total		**(34,150,552)**	**(67,482,379)**	**(33,331,827)**
Removal of non-voted budget items:				
Banking and gilts registration service		(2,345)	(2,348)	(3)
Royal Household Pension Scheme		(5,065)	(4,300)	765
Total		**(7,410)**	**(6,648)**	**762**
Net cash requirement		**30,849,500**	**36,978,813**	**6,129,313**

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

67 European System of Accounts 2010

SOPS4 Amounts of income to the Consolidated Fund

SOPS4.1 Analysis of income payable to the Consolidated Fund (in £000's)

Item	Note	Outturn total		Prior Year, 2023-24	
		Accruals	Cash basis	Accruals	Cash basis
Operating income outside the scope of the Estimate		264,626	171,666	227,967	244,932
Total amount payable to the Consolidated Fund		**264,626**	**171,666**	**227,967**	**244,932**

Operating income outside the scope of the Estimate includes the inter-company income from Pool Re under the retrocession agreement, which eliminates at group level, and the income received to the government as a gift to the nation. See also Note 3 – Other operating income.

SOPS4.2 Consolidated Fund income

Consolidated Fund income shown in the table above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement in this Annual Report and Accounts.

Other parliamentary accountability disclosures

We act as custodians of taxpayers' funds and have a duty to Parliament to ensure the regularity and propriety of all activities and expenditure. Public funds are managed in accordance with the principles set out in Managing Public Money.

The Accounting Officer is responsible for ensuring the regularity, propriety, efficiency, economy, effectiveness, and prudence in the administration of public resources, as detailed in Managing Public Money. This includes accountability for the proper use of public finances.

To support this responsibility and to ensure that control totals are not breached, we have established the following controls:

- Formal delegation of budgets
- Detailed monitoring of expenditure
- Monthly management reporting against control totals

Additionally, we apply the three lines of defence model within our risk management framework, as described in the Governance Statement.

During the year, no breaches of control totals occurred. Further details are provided in the Statement of Outturn against Parliamentary Supply.

These disclosures apply to the bodies identified in Note 1.3.

Losses and special payments (audited)

During the financial year 2024-25 the HM Treasury Group had one reportable loss totalling £5m (2023-24: £28m) and no special payments (2023-24: £nil) totalling over £300,000.

The one reportable loss relates to foreign exchange rate movements on the amounts invoiced under the EU Financial Settlement. These are paid as they fall due at the prevailing rate at that time[68].

Fees and charges (audited)

The HM Treasury Group receives the below fees and charges for services.

Fees and charges (Core Treasury)	Strategic Objective	Income (£m)
Reinsurance fees[69]	SO 3 Deliver economic and financial stability to provide certainty for firms and households.	262
UK Guarantee Scheme	SO 1 Deliver economic growth and raise living standards in every region and nation of the UK.	(2)
Mortgage Guarantees	SO 1 Deliver economic growth and raise living standards in every region and nation of the UK.	20

68 This is a business-as-usual transaction and there have been £11m net gains on foreign exchange rate movements on amounts invoiced over the lifetime of the EU financial settlement.
69 Including interest due on receivable. This charge eliminates at group level.

Fees and charges (Group)	Strategic Objective	Income (£m)
Pool Re commercial reinsurance fees	SO 3 Deliver economic and financial stability to provide certainty for firms and households.	263
GIAA audit fees	SO 2 Build and maintain strong public finances while rebuilding and reforming public services to improve public sector productivity and deliver value for money.	46
DMO fees and charges	SO 2 Build and maintain strong public finances while rebuilding and reforming public services to improve public sector productivity and deliver value for money.	6
NWF guarantee fees	SO 1 Deliver economic growth and raise living standards in every region and nation of the UK.	4

Fees for guarantees and reinsurance fees provided by core Treasury and the commercial reinsurance premiums charged by Pool Re are set based on the risk of a call on the underlying guarantees and insurance activities and are entered into to achieve specific policy objectives rather than to achieve a financial objective of recovering the annual costs of a service being provided. There is no material administration cost incurred in providing these services.

All other details regarding income from fees and charges received by arm's length bodies can be found in the relevant bodies' annual reports and accounts.

Income in the above tables is reflected within the Statement of Comprehensive Net Expenditure (SoCNE), and is allocated between:

- Income from sale of goods and services (Note 2)
- Other operating income (Note 3)
- Finance income (Note 4)

Auditor

The Comptroller and Auditor General carries out the audit of the consolidated accounts of the HM Treasury Group under the Government Resources and Accounts Act 2000.

Central Funds

HM Treasury has oversight and administrative responsibility for the government's Central Funds, namely the Consolidated Fund, National Loans Fund, Contingencies Fund and Exchange Equalisation Account. The annual report and accounts for these funds are produced separately and should be viewed alongside those of the departmental group.

Functional Standards

Our corporate functions are aligned with agreed cross-functional standards.

Remote contingent liabilities (audited)

In addition to contingent liabilities reported under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in Note 21, HM Treasury is required to disclose liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the disclosure requirements of the Standard.

Contingent liabilities otherwise outside the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, such as financial guarantees, derivatives and insurance contracts are not included in this section and the risks relating to these instruments are detailed in Note 13 – Derivatives, Note 16 – Financial guarantees and Note 17 – Financial risk.

These disclosures are required by Managing Public Money to ensure parliamentary accountability. HM Treasury must provide a brief description of each contingent liability and, where possible, an estimate of its financial effect. Contingent liabilities often enable the government to pursue policy objectives without an immediate call on public funds, though there remains a risk that payment may be required if the liability crystallises. HM Treasury discloses these items either due to its central finance and economics role or where no other public sector body is responsible for the disclosure.

A remote contingent liability is the maximum potential exposure if trigger events occur, and the liability crystallises. If this happens, HM Treasury would settle the obligation through the usual Supply Estimates process. These contingent liabilities include indemnities, financial guarantees, and letters of support, as described below.

EU Withdrawal Agreement

The UK left the European Union on 31 January 2020. HM Treasury continues to implement the financial settlement, as set out in the financial provisions of the Withdrawal Agreement. This represents a settlement of the UK's financial commitments to the EU and the EU's financial commitments to the UK, which result from the UK's participation in the EU budget, and other commitments relating to our former EU membership.

HM Treasury's financial statements and related disclosures set out the accounting implications of the financial settlement for HM Treasury. See Note 15 – EU Financial Settlement for detail.

HM Treasury also has a remote contingent liability, which does not meet the threshold for disclosure in the financial statements, in respect of the UK's contingent liability to the European Investment Bank (EIB). The terms of this are set out in Article 150 of the EU Withdrawal Agreement and is limited to the callable and returned paid in capital the UK held as a member state. The remote contingent liability is valued at £31.1bn as at 31 March 2025 (2023-24: £31.6bn).

Further information on the financial impact of EU Withdrawal Agreement is included in the "European Union Finances" publication series.[70]

UK Asset Resolution (UKAR): Bradford & Bingley plc and NRAM Ltd financial assets

To facilitate each sale of UKAR's B&B and NRAM assets, HM Treasury has offered certain fundamental market-standard warranties which have created remote contingent liabilities. The crystallisation of any liability is dependent on the occurrence and identification of any defects covered by the warranties. Given their nature, such occurrence is considered remote.

Each of these sales and the associated remote contingent liabilities are listed below:

- On 13 November 2015, the Chancellor announced the sale of a portfolio of UKAR's NRAM loan book assets to Cerberus Capital Management L.P. The proceeds of the sale were £13.3bn. The maximum value of remote contingent liabilities arising from Intermediate Warranties is £13.3bn.
- On the 31 March 2017, the Chancellor announced the sale of a portfolio of UKAR's B&B loan book assets to Prudential plc and funds managed by Blackstone. The proceeds of the sale were £11.4bn. The maximum value of remote contingent liabilities arising from fundamental warranties is £11.4bn.
- On the 27 September 2018, the Chancellor announced the sale of a portfolio of UKAR's B&B and NRAM loan book assets to Rothesay Life. The proceeds from the sale were £983m. The maximum value of remote contingent liabilities arising from fundamental warranties is £195m.
- On 26 February 2021 the Economic Secretary to HM Treasury announced the sale of Bradford & Bingley plc (B&B), NRAM Limited and their remaining assets to a consortium of Citibank

70 https://www.gov.uk/government/collections/eu-annual-statement

and Davidson Kempner Capital Management, with financing provided by PIMCO. The proceeds from the sale were £5.1bn.

Maximum value of remote contingent liabilities arising from:

Other warranties	£4.8bn
Capped indemnities	£290m
Tax covenant	£290m

In addition to this list, UKAR also has several other remote contingent liabilities relating to previous asset sales where the likelihood is near zero due to the time elapsed since the relevant sales.

Reclaim Fund Ltd (RFL) – Dormant Assets

Reclaim Fund Ltd (RFL) acts as a dormant account fund operator. The Dormant Bank and Building Society Accounts Act 2008, and Dormant Assets Act 2022 enable participating financial institutions to transfer to RFL money that is held in dormant accounts (e.g. eligible bank and building society accounts which have remained dormant for 15 years or more with no customer transactions).

The Acts require RFL to manage dormant account funds in such a way as to enable them to meet whatever customer repayment claims it is prudent to anticipate. HM Treasury has taken a power in the Dormant Assets Act 2022 to enable it to provide RFL with a loan in the event it is or looks likely to be unable to meet it reclaim obligations and thereby become insolvent.

The total remaining exposure that RFL may be required to settle above and beyond the amounts already set aside is £1,223m at 31 March 2025 (2023-24: £1,118m).

Bank of England capital framework

In June 2018 HM Treasury and the Bank of England announced reforms to the Bank of England's financial framework to boost transparency, reinforce the Bank of England's resilience and independence and strengthen the financial system. Following the 5-yearly review of the parameters by the Bank and the HM Treasury, the updated Memorandum of Understanding (MoU) on the Financial Relationship between HM Treasury and the Bank was published in February 2025.

The formal agreement that HM Treasury recapitalise the Bank of England in the event of a major capital loss results in a remote contingent liability for HM Treasury. This is currently unquantifiable as the occurrence of the conditions required for the contingent liability to crystallise cannot be accurately calculated, given the unprecedented nature of the economic conditions required, and as the framework is not for a finite term.

The Bank of England has a strong capital base, and the risk of a major capital loss to the Bank of England requiring further injection by HM Treasury is considered remote due to the unprecedented nature of the economic conditions that would cause it to crystallise.

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) was established in December 2015 with the UK as a shareholder, to support sustainable development by financing for infrastructure projects in Asia. The UK's investment, like that of all other shareholders in the bank, is in the form of 20% paid-in capital and 80% callable capital.

A remote contingent liability arises in relation to the US$2.4bn (approximately £1.9bn) of callable capital. This is not paid over, but the AIIB would be able to call on it if the bank became unable to meet its obligations.

Although the AIIB has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies reaffirmed the bank with AAA ratings in 2024-25, and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) was set up in March 1991 with the UK as a shareholder, along with several other countries, to help build a new, post-Cold War era in Central and Eastern Europe. The UK subscribed to an additional 34,360 paid-in shares on 2 December 2024 with immediate effect, with payment of €344m scheduled to be made in five equal instalments from 2025-26 to 2029-30. The subscription resulted in the UK's shareholding in the EBRD rebalancing to 30.2% (2023-24: 20.9%) paid-in capital and 69.8% (2023-24: 79.1%) callable capital.

A remote contingent liability arises in relation to the €2.0bn (approximately £1.7bn) of callable capital. This is not paid over, but the ERBD would be able to call on it if the bank were not able to meet its obligations.

Although the ERBD has the right to call for payment of this callable capital if there is a crisis affecting the bank's assets or loans, the equity base of the bank is currently more than sufficient to meets its financial objectives by absorbing risk from its own resources, thus protecting member countries from a possible call on callable capital. Three major credit ratings agencies reaffirmed the bank with AAA ratings in 2024-25 and no such instance whereby payment has been called has occurred in any major multilateral development bank in the past. If the liability were to be called, provision for any payment would be sought through the normal Supply Estimates procedure.

Royal Mint Pensions Indemnity

HM Treasury has provided an indemnity to the Cabinet Office in respect of employer contributions payable to the Civil Service Pensions Scheme when the Royal Mint's pensions transferred under 'new fair deal'. This liability would only materialise in the unlikely event that the Royal Mint failed to make payments to the pension scheme. It is unquantifiable since the scheme is expected to run for the foreseeable future, and the timing and scale of any possible failure by the Royal Mint cannot be predicted.

Director indemnities

HM Treasury employees and others can be called upon to act as a director of one of the incorporated companies within the HM Treasury Group or other wholly owned companies. HM Treasury has granted directors an indemnity against any losses or liabilities incurred in the course of their duties whilst the incorporated companies remain in public ownership. The crystallisation of any liability is dependent on the actions of the directors.

In addition, employees of the National Wealth Fund (NWF) can be called upon to act as a director of companies in which the NWF has equity investments. The NWF has issued indemnities to those directors against certain personal liabilities and expenses arising out of or in connection with their position as a director of the investee.

HM Treasury has not disclosed the financial effect of director indemnities because it is not practicable to do so, as there is no evidence to evaluate.

Service provider indemnities

HM Treasury provided an investment management company with a capped £3m indemnity for support on the design of the Bounce Back Loan Scheme, which was created to support small businesses during the COVID-19 pandemic. The limited indemnity covers the risk that the company could become liable to third parties for claims made in the context of their engagement.

UK Government Investments

UK Government Investments (UKGI) maintains framework contracts with 24 financial-services firms to manage the disposal of the government's shareholdings. These services would typically include drafting prospectuses and other market-facing documents based on information provided by the government. As is market-standard, these firms require an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions (based on the information from the government) made in the context of their engagement. Only the issuer/seller – not the bank – is responsible for the information contained in prospectuses and other documents. Therefore, any claims brought against the bank on these grounds would be meritless, meaning the likelihood of their success (and therefore of the liability crystallising) is seen to be exceptionally low. The number and breadth of participants involved, and value of any transaction is such that it is not possible to assert with any confidence what a suitable estimate might be.

It was necessary to procure specialist capital-markets advice as part of due-diligence work for companies in distress because of COVID-19. One advising bank required an indemnity to cover the risk that they could become liable to market participants for any misrepresentation, misleading statements or omissions made in the context of their engagement. Any such claims would almost certainly be without merit meaning the likelihood of their success is seen to be exceptionally low. Because of the breadth of this indemnity and the extreme unlikelihood of its crystallising, it is impossible to estimate a value.

UK Asset Resolution (UKAR): Other

The B&B plc Transfer of Securities and Property etc Order 2008 requires HM Treasury to give a guarantee or to make other arrangements for the purposes of securing that the assets of the remaining section of the B&B Pension Scheme are sufficient to meet its liabilities. As such, HM Treasury guarantees to pay or procure the payment of any benefit amount which falls due from the remaining section at a time when there are insufficient assets to pay that amount. As at 31 March 2025, there is no contingent liability to report (2023-24: £nil).

HM Treasury Group's former lending and other consumer credit business is governed by consumer credit law and other regulations. Claims upheld in favour of customers in relation to potential breaches of requirements could result in costs to HM Treasury Group. It is not possible to provide any meaningful estimate or range of the possible cost.

Reconciliation of contingent liabilities included in the Supply Estimate to the accounts

Quantifiable Contingent Liabilities			
Description of CLs £m	**Supply Estimate (up to)**	**Amount disclosed in ARA**	**Variance (Estimate – Amount disclosed in ARA)**
EU Withdrawal Agreement – Article 150 EIB callable capital	31,600	31,075	525
EU Withdrawal Agreement – Article 136 Traditional own resources	–	58	(58)
EU Withdrawal Agreement – Article 147 legal cases	15	13	2
UKAR: Bradford & Bingley plc and NRAM Ltd mortgage assets sales:			
March 2015 – intermediate warranties	13,300	13,300	–
March 2017 – fundamental warranties	–	11,400	(11,400)
September 2018 – fundamental warranties	–	195	(195)
April 2018 – corporate warranties	5,400	–	5,400
February 2021 – fundamental warranties	4,800	–	4,800
February 2021 – intermediate warranties	960	–	960
February 2021 – other warranties	4,800	4,828	(28)
February 2021 – capped indemnities	290	290	–
February 2021 – tax covenant	290	290	–
RFL Dormant Assets	1,188	1,223	(35)
European Bank for Reconstruction and Development Callable Capital Guarantee[71]	1,673	1,694	(21)
Asian Infrastructure Investment Bank Callable Capital Guarantee[71]	1,952	1,895	57
Service Provider Indemnities	3	3	–
Decommissioning Relief Deeds	–	67	(67)

71 Supply Estimate only quantifies the EBRD and AIIB contingent liabilities at local currency. These have been translated to GBP at 31 March rates.

Unquantifiable Contingent Liabilities			
Description of CLs	**Included in Supply Estimate (Yes/No)**	**Included in these financial statements (Yes/No)**	**Explanation of difference**
Bank of England Recapitalisation Guarantee	Yes	Yes	Not Applicable
Royal Mint Pension Indemnity	Yes	Yes	Not Applicable
Decommissioning Relief Deeds	Yes	Yes	Not Applicable
Litigation Activity	Yes	Yes	Not Applicable
Director Indemnities	Yes	Yes	Not Applicable
UK Government Investments Indemnities	Yes	Yes	Not Applicable
UKAR: Bradford & Bingley plc and NRAM Ltd Mortgage Warranties and Indemnities	Yes	Yes	Not Applicable
UKAR: Bradford & Bingley plc and NRAM Ltd Pension Guarantees	Yes	Yes	Not Applicable
Bank of England Asset Purchase Facility Fund Indemnity	Yes	Yes	Not Applicable

The £469m variance relating to the EU Withdrawal Agreement contingent liability is largely due to exchange rate movements on an exposure held in Euros and an additional annual repayment of the UK's share of paid-in capital of the EIB during the year.

The variance relating to UKAR warranties of (£463m) are due to changes in the expected maximum exposure to the HM Treasury group at the reporting date after the supplementary estimate was finalised.

James Bowler CB
Permanent Secretary
17 July 2025

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the HM Treasury and of its Departmental Group for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2024. The financial statements comprise: the Department's and the Departmental Group's:

- Consolidated Statement of Financial Position as at 31 March 2025;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of HM Treasury and the Departmental Group's affairs as at 31 March 2025 and their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2025 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of HM Treasury and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. In applying the Ethical Standards, I have considered the potential implications for my audit arising from extending a loan staff arrangement with the Office for Value for Money within HM Treasury, to October 2025. The loan staff arrangement concerns one of my directors and was for an initial period of 12 months from September 2024. The arrangement was extended by a further two months so that the secondee is able to support the completion of the Office for Value for Money's work. I am satisfied that appropriate safeguards have been implemented to protect my and the NAO team's independence and objectivity throughout the audit. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000 European Union (Withdrawal Agreement) Act 2020
Parliamentary authorities	Supply and Appropriations Act
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that HM Treasury and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on HM Treasury or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HM Treasury and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around management override of controls as these are areas where my work has not identified any matters to report.

The key audit matters were discussed with the Audit and Risk Committee; their report on matters that they considered to be significant to the financial statements is set out in the Governance Statement.

In this year's report the following additions to the risks identified have been made compared to my prior year report:

- Extraordinary Revenue Acceleration Loan (to Ukraine); and
- National Wealth Fund – Loan Investments.

Key audit matter 1 – EU Financial Settlement
Description of risk The UK left the European Union (EU) on 31 January 2020 under terms defined by the Withdrawal Agreement. The Agreement includes a Financial Settlement and sets out the various rights and obligations of the UK and EU during the transition period and beyond. These include financial rights and obligations that fall to HM Treasury. The transition period ended on 31 December 2020. Key judgements and sensitivities are disclosed in note 15 – EU Financial Settlement. I have identified a significant risk of material misstatement in HM Treasury accounts because of the underlying complexity and sensitivity of judgements surrounding interpretation of the Withdrawal Agreement. I consider this area to be a key audit matter. The specific areas of risk identified by my audit are: • Classification: HM Treasury receives invoices and reporting from the European Commission, in accordance with the terms of the Withdrawal Agreement. If HM Treasury does not sufficiently scrutinise EU data and understand the Commission's process for classification, or identify where changes in circumstances affect classification, and assess against International Financial Reporting Standards (IFRS) requirements, there is a risk of subsequent misclassification in HM Treasury's accounts. Separately, there is a risk that balances in the accounts are misclassified where invoiced amounts to be paid are known at year end or subsequent to the reporting date; • Valuation: the valuation of items arising from the Withdrawal Agreement requires the use of different estimation techniques, with varying degrees of complexity, that utilise a range of inputs and assumptions with differing degrees of sensitivity. For some of these estimates, there is a high level of estimation uncertainty and input data has to be derived from limited sources. Reports received from the European Commission, in accordance with the requirements of the Withdrawal Agreement, may also provide additional information over time that HM Treasury will need to consider when preparing these estimates. Due to non-coterminous reporting periods, there is a risk HM Treasury will not obtain data from the European Commission in time or obtain sufficient assurance over the completeness and accuracy of these reports. Additionally, there is a risk that some of the data being relied upon to derive assumptions will become outdated or may no longer be fit for purpose. • Disclosures: there is a risk that the estimation uncertainty and other disclosures for fair value measurements and other balances are not sufficient or accurate, due to the risks of using inappropriate methodologies, assumptions or data sources. There is also a risk of insufficient disclosure if information received after the reporting date, such as the publication of the European Commission's annual accounts, provides additional evidence in relation to events or conditions in existence at 31 March; and • Regularity: HM Treasury is making payments to the European Commission under the Withdrawal Agreement with limited visibility over the underlying data underpinning the transaction value. I have identified a risk that HM Treasury needs to obtain sufficient assurance over the amounts to confirm these are in line with the framework of authorities.

Key audit matter 1 – EU Financial Settlement	
How the scope of my audit responded to the risk	My response to addressing the risk of material misstatement in this area included: • assessing the reasonableness and completeness of governance processes and the design of controls in place over the models used to prepare the estimates, and the process in place to ensure appropriate balances and disclosures derived from these models are appropriately included in the financial statements. I have not relied on these controls; • observing and assessing the design and implementation of controls over the completeness and accuracy of invoiced amounts, payments processes and also the 'truing up' mechanism for adjusting amounts when agreed by the UK and EU in accordance with the terms of the Withdrawal Agreement. I have not relied on these controls; • undertaking a review of judgements on recognition to ensure these remain valid and to identify any changes required. I have also considered whether the financial reporting impact of these is appropriately presented and disclosed within the financial statements; • assessing the models used in preparing the estimates, to confirm the estimates drawn from these models are reasonable, based on relevant information, and follow an appropriate measurement methodology; • identifying where management have used experts and evaluating the competence, capabilities and experience of those experts. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management; • engaging my own experts in modelling, corporate finance and actuarial science to support my work evaluating the methodology, logical integrity and assumptions applied in the estimates performed by management; • reviewing the quality of management's assessment of the level of uncertainty present within these estimates and the processes in place to address this uncertainty; • considering the assurances obtained over amounts included within invoices received from the European Commission to confirm that these conform to the authorities that govern them and are appropriately supported; • evaluating and challenging management's assessment of information received after the reporting date, including additional reporting under the Withdrawal Agreement as well as information published within the European Commission's own accounts. This included requesting and reviewing management's comparison of the balances reported in the European Commission's 2024 accounts with their own assessment; and • Assessing the accuracy and completeness of the proposed disclosures required under the Government Financial Reporting Manual and Managing Public Money to ensure that these are adequate and sufficient for readers to be able to gauge the level of estimation uncertainty within the amounts recognised and disclosed. **Key observations** I did not identify any significant misstatements as a result of the work I have performed over the: • amounts recognised within the financial statements; and • measurement of assets and liabilities within the HM Treasury and Departmental Group accounts identified in the Withdrawal Agreement. I have found that the models prepared by management use appropriate input data and apply reasonable and appropriate measurement techniques based on the data available. HM Treasury has used the discount rates mandated by the Government Financial Reporting Manual, the basis for which is explained in note 15. Future cash flows are denominated in Euros and, therefore, valuations are particularly sensitive to future change in exchange rate. This is also explained in note 15.

Key audit matter 1 – EU Financial Settlement	
How the scope of my audit responded to the risk	I note that the nature of the data available to HM Treasury in estimating the value of assets and liabilities has limitations that require management to make significant judgements, including estimating the level of funds currently committed to programmes which will not be fully implemented (the decommitment rate). This, together with the long term and forward-looking nature of the estimates involved, heightens the level of uncertainty in the valuation. I have found HM Treasury's disclosures on estimation uncertainty and other disclosures for fair value measurements and other balances to be sufficient and accurate. I am content that the amounts paid over to the European Commission have been calculated and paid in line with the Withdrawal Agreement, noting the presence and operation of a subsequent 'truing up' mechanism.

Key audit matter 2 – Bank of England Asset Purchase Facility Fund (BEAPFF) derivative valuation

Description of risk

HM Treasury provides an indemnity to the BEAPFF over its functions as a holding vehicle for debt securities purchased under the Quantitative Easing programme. Under this agreement, any losses incurred by BEAPFF on these assets are indemnified by HM Treasury, while any gains accrue to HM Treasury. This indemnity is therefore recognised as a derivative financial liability and, as presented in note 13 – Derivatives, was valued at £173.4bn at 31 March 2024. As at 31 March 2025, this liability position had decreased to £171.9bn.

The BEAPFF prepares its financial statements to 28 February, one month before HM Treasury's reporting date. HM Treasury uses BEAPFF's March management accounts to establish the value of the derivative at year end. Due to the non-coterminous year ends, the magnitude of the debt security holdings (with a market value of £450 billion at 31 March 2025), scope for market price movements and risk of non-compliance with the financial reporting framework, I identified the valuation of the indemnity as a significant risk and key audit matter.

How the scope of my audit responded to the risk

My response to addressing the risk of material misstatement included:

- Assessing the design and implementation of controls carried out by HM Treasury, to ensure that the figures reported in the BEAPFF management accounts for March 2025 are sufficiently accurate to use for the valuation of the BEAPFF derivative liability in HM Treasury's accounts;
- Confirming BEAPFF asset holdings at year-end to independent sources to ensure that those included in the valuation are complete and accurate;
- Recalculating the 31 March 2025 BEAPFF liability figures from independent sources;
- Independently confirming the quoted market prices used by HM Treasury are within a reasonable variance using an independent market source;
- Confirmation and review of settlement transactions, which occur on a quarterly basis between HM Treasury and BEAPFF, to assess whether they are accurately recorded and complete; and
- Confirming that management have performed the calculations and processes underpinning the valuation of the derivative appropriately and applied these accurately. This included confirming completeness and accuracy of the data used in valuing the BEAPFF derivative.

Key observations

I did not identify any significant misstatements as a result of the work I have performed.

Key audit matter 3 – UK Asset Resolution Limited (UKAR) Defined Benefit Pension Liability	
Description of risk HM Treasury Group financial statements recognise a net pension asset (valued at £364 million at 31 March 2025) in relation to the closed funded defined benefit pension schemes recognised by UKAR. These consist of a gross defined benefit liability (valued at £891m at 31 March 2025) and scheme assets. The gross defined benefit pension liability is material to HM Treasury Group's financial statements, subject to a high level of estimation uncertainty and, to a lesser extent, management judgement. As such I have classified the valuation of the defined benefit pension liability as a significant risk and as a key audit matter in respect of the audit of the Departmental Group. The scheme assets include buy-in policies. Buy-in policies are a type of insurance contract purchased by the scheme trustees whereby the funding to pay future pension payments to pensioners is provided to the pension scheme by the insurer rather than through the management of the scheme by the trustees and are therefore intrinsically linked to the scheme liabilities. These assets are relevant to the significant risk. All other pension assets continued to be recognised as an area of lower estimation uncertainty and limited management judgement, due to the balance being primarily made up of assets with externally quoted prices. As such I have judged that this does not present a significant risk of material misstatement.	
How the scope of my audit responded to the risk	I issued group audit instructions to the UKAR component audit team, and reviewed the work performed in response. I completed sufficient audit work to reach a conclusion on this matter despite UKAR's own financial statements not being certified prior to the HM Treasury group accounts and the summer parliamentary recess. My testing included: • Evaluating the design and implementation of the controls that UKAR has in place to ensure that the liability is not materially misstated. This has included consideration of management's review of assumptions used, and the final IAS 19 report issued to support the valuation of the liability; • Evaluating the design and implementation of controls over membership data in place at the pension scheme administrator; • Reviewing the report of management's actuary and agreement to the accounts; • Performing procedures to earn the right to rely on the work of the scheme actuary as a management expert in accordance with ISA 500 Audit Evidence; • Engaging with my own actuarial experts to assist my review of the reasonableness of key assumptions used by management's actuary in calculating the liability; • Review of policy documentation for the Northern Rock Asset Management pension scheme buy-in policy; and • Performing procedures to obtain assurance over membership data and other inputs used to calculate the liability. **Key observations** I have obtained sufficient assurance over this risk through my substantive testing. I did not identify significant misstatements in the funded defined benefit pension liabilities or buy-in policies as a result of the work I have performed. The assumptions used to value to liability have been assessed as reasonable.

Key audit matter 4 – Existence and Valuation of Pool Reinsurance Company Limited's (Pool Re's) Financial Instruments	
Description of risk Pool Re receives premiums and invests these in a managed portfolio to generate returns and expand its asset base. Where claims are subsequently made under the reinsurance contracts Pool Re has issued, Pool Re is able to pay against these claims out of its investment portfolio, reducing the risk that the Departmental Group will need to call upon taxpayer funding via Supply to meet its liabilities. Included within note 18 – Group financial instruments – fair value, Pool Re's investment portfolio as at 31 March 2025 is valued at £7.0bn in financial instruments, in large part corporate bonds and gilts, and these are material to the group. These assets are actively traded, with £7.8 billion of sales and £7.9 billion of purchases recorded in the 2024-25 financial year. The trading values are also many times the materiality for the Departmental Group. There is an inherent risk of material misstatement in relation to the valuation and existence of these assets, given their scale in context of the group financial statements. There is also a risk of material misstatement that the related disclosures in the Departmental Group financial statements, including those on financial risk and classification in the fair value hierarchy, may be inadequate or inaccurately prepared.	
How the scope of my audit responded to the risk	I issued group audit instructions to the Pool Re component audit team, and reviewed the work performed in response. I directed my Pool Re audit team to complete testing which included: • Evaluating the design and implementation of controls over the existence and valuation of financial instruments in Pool Re's investment portfolio. This included assessing those controls operating at service organisations, via review of service auditor reports, and Pool Re's complementary controls; • Obtaining independent custodian statements for financial assets and reconciling these to investment manager reports and the general ledger to confirm the existence and completeness of the portfolio; • Recalculation of valuation of financial instruments held by Pool Re utilising third party pricing data and evaluating whether Pool Re have made appropriate judgments regarding their classification in the fair value hierarchy; • Reviewing samples of sales and purchases of corporate bonds and gilts to confirm they have been accurately recorded; and • Confirming that the related disclosures have been prepared accurately based on the underlying records and are complete. **Key observations** I have reviewed my component auditor's work over financial instruments and the investment portfolio held by Pool Re. Based upon the work I directed my component audit team to complete, I am satisfied that the amounts recognised within the financial statements relating to the investment portfolio held by Pool Re are not materially misstated.

Key audit matter 5 – NWF – Loan Investments

Description of risk

The new National Wealth Fund (NWF) was set up to invest in the new industries of the future, building on the activities of its predecessor the UK Infrastructure Bank (UKIB). Over the longer-term, NWF is expected to make new investments through different means such as direct lending, financial guarantees, direct equity, blended finance and fund investment. The increases in new loan investments of £899m, as presented in note 12 – Loans and investment securities, and equity investments in 2024-25 are significant to the HM Treasury group accounts. The audit of NWF's financial statements will be completed after the summer parliamentary recess.

NWF's loan investments classified at amortised cost, presented in note 12, total £1,451 million at 31 March 2025. As presented in note 22 – commitments, NWF has a £905 million contractual commitment to issue loans after 31 March 2025. For financial assets held at amortised cost and undrawn loan commitments, IFRS requires HM Treasury and its Group to recognise credit losses expected over the lifetime of loans, if credit risk has increased significantly since the loan contracts were agreed, or within the next 12 months after year-end if credit risk has not increased significantly.

As set out in note 17.3 – Financial risk: management objectives, policies and sensitivity analysis (Group), Expected Credit Losses (ECLs) on NWF's loans held at amortised cost were £57 million at 31 March 2025 (£25 million 2023-24).

There is an inherent risk of material misstatement in reliably determining if there has been a significant increase in credit risk, or an actual impairment, of the loans and, therefore, the completeness of the ECL. NWF has used external expertise to develop a bespoke model to estimate ECLs. The ECL calculation requires the use of forward-looking information (such as borrowers credit rating outlook) and assumptions (such as macroeconomic variables, including interest rates) and significant judgement is exercised by management to develop these and to select the best sources of data.

HM Treasury is also required to disclose the fair value of loan investments where this is materially different to amortised cost. The fair value of HM Treasury group's loans and investments is disclosed as £1,865 million in note 18 and most of this value relates to NWF's loan investments. The fair value of NWF's loan investments is based on NWF's assessment of current market interest rates, which requires specialist expertise to interpret, and judgements must be made by NWF to select the best sources of data.

I have recognised a key audit matter and a significant risk of material misstatement in respect of the audit of the Departmental Group, over the measurement of expected credit losses on, and fair value of, NWF's loan investments.

How the scope of my audit responded to the risk

My response to the material risk of misstatement included:

- Evaluating the design and implementation of NWF's controls over estimating ECLs;
- Evaluating the design and implementation of NWF's controls over the fair valuation of loan investments held at amortised cost;
- Reviewing whether there has been significant increases in credit risk, including attending NWF's year-end Credit Committee where the significant increase in credit risk assessment is considered by NWF and approved;
- Evaluating the relevance and reliability of data used in ECL estimates, as well as the reasonableness of assumptions and appropriateness of the credit risk rating methodology;
- Engaging with my own corporate finance experts to assist my review over the reasonableness of key assumptions, including market interest rates, used by management in calculating the fair value;
- Performing procedures to obtain assurance over the accuracy of calculations completed to determine the ECL on, and fair value of the loan investments; and
- Confirming that the related disclosures have been prepared accurately based on the underlying records and are complete.

Key observations

I have obtained sufficient assurance over this risk through my substantive testing. I did not identify significant misstatements in the calculation of ECLs or fair value as a result of the work I have performed.

Key audit matter 6 – Extraordinary Revenue Acceleration Loan (to Ukraine)

Description of risk

With other G7 nations, the UK Government agreed to the Extraordinary Revenue Acceleration (ERA) proposal in June 2024. The relevant UK legislation received royal assent in January 2025 and the loan agreement between HM Treasury and Ukraine was signed in March 2025. As disclosed in note 12, under this arrangement, HM Treasury is lending £2.258bn to Ukraine in three tranches, with the first instalment of £753m being paid on 6 March 2025. Repayments of capital and interest are to be made every six months from the profits of Russian Sovereign Assets (RSAs) held in Euroclear.

The lending arrangement is new, unique and contractually complex, involving multiple parties (UK, Ukraine, G7, EU). HM Treasury needs to apply significant judgement to determine the appropriate accounting treatment. For example, following IFRS requirements, HM Treasury has recognised grant expenditure (of £1,734 million as disclosed in note 6 Operating costs) at the date (1 March 2025) the loan commitment was entered into for the difference between the total transaction price (£2.258 bn) of all three tranches of the loan and the fair value of the total loan. This is because management consider the loan to have been issued at below-market rate and the grant expenditure reflects the expected loss to HM Treasury.

Key judgements and sensitivities are disclosed in note 12. There is significant uncertainty regarding the recoverability of the amounts to be lent and the timing of future repayments, which impacts the fair valuation of the asset recognised by HM Treasury for the loan to Ukraine. These are affected not only by the profitability of the RSAs, but also by developments in the war between Ukraine and Russia and wider geopolitical factors.

I have recognised a key audit matter and a significant risk of material misstatement in respect of the audit of the Departmental Group, over the classification and presentation of the arrangement in the accounts, the valuation of the asset and the loan commitment liability, and the sufficiency and accuracy of the accompanying disclosures (especially with regard to the level of estimation uncertainty).

How the scope of my audit responded to the risk

My response to addressing the risk of material misstatement in this area included:

- Assessing the design and implementation of controls over the processes undertaken to account for the lending arrangement by HM Treasury. I have not relied on these controls;
- Assessing the design and implementation of controls in place over the model used to prepare the fair value of the loan asset and the loan commitment liability, as well as the process in place to ensure the disclosures derived from these models are appropriately included in the financial statements. I have not relied on these controls;
- Assessing the models used in preparing the fair value of the loan asset and the loan commitment liability, to confirm the estimates drawn from these models are reasonable, based on relevant information (including using any market-based assumptions), and follow an appropriate measurement methodology;
- Evaluating the competence, capabilities and experience of experts used by management to estimate the fair value of the loan asset and the liability for the expected loss on undrawn loan commitments. This has included confirming that the scope of their work is appropriate and sufficient for the purposes relied upon by management;
- Reviewing the quality of management's assessment of the level of uncertainty present within these fair value estimates and the processes in place to address this uncertainty; and
- Assessing the accuracy and completeness of the proposed disclosures required under the Government Financial Reporting Manual to ensure that these are adequate and sufficient for readers to be able to gauge the level of estimation uncertainty within the amounts recognised and disclosed.

Key observations

I have obtained sufficient assurance over this risk through my substantive testing.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for HM Treasury and its group's financial statements as a whole as follows:

	Departmental group	Department parent
Materiality	£1,923m	£1,909m
Basis for determining overall account materiality	1% of Gross Liabilities of £192.3bn (2023-24: 1% of Gross Liabilities of £190.9bn)	1% of Gross Liabilities of £190.9bn (2023-24: 1% of Gross Liabilities of £189.5bn)
Rationale for the benchmark applied	HM Treasury's and the Departmental Group's gross liabilities in 2024-25 contain the BEAPFF derivative and liabilities relating to the UK's obligations to the EU under the Withdrawal Agreement. The derivative is volatile, and together these are the most significant items by value in the financial statements. A number of other policy activities also lead to large liabilities on the HM Treasury's and the Departmental Group's statement of financial position. Overall, due to the parliamentary and public profile of these, I have judged gross liabilities to be the area of most interest to users of the HM Treasury's and the Departmental Group's financial statements.	
Particular classes of transactions, account balances and disclosures where an additional level of materiality has been applied	All classes of transactions, account balances, and disclosures excluding the BEAPFF derivative balances. The materiality level is set at £153m.	All classes of transactions, account balances, and disclosures excluding the BEAPFF derivative balances. The materiality level is set at £142m.
Basis for determining residual account materiality	0.75% of gross liabilities, excluding BEAPFF derivative of £20.4bn. (2023-24: 0.75% of gross liabilities, excluding BEAPFF derivative, of £17.6bn).	0.75% of gross liabilities, excluding BEAPFF derivative of £19.0bn. (2023-24: 0.75% of gross liabilities, excluding BEAPFF derivative, of £16.2bn).
Rationale for the benchmark applied	Despite the dominance of the BEAPFF derivative within HM Treasury's and the Departmental Group's financial statements, I consider that readers would also have a significant level of interest in other items that reflect HM Treasury's delivery of wider activities. I do not believe that this interest is diminished by the presence of the BEAPFF derivative. Therefore, it is appropriate to adopt an additional materiality for other items in the HM Treasury's and Departmental Group's financial statements. Remaining liabilities form the basis of residual materiality due to EU liabilities being the area of most interest to the users of the HM Treasury's and the Departmental Group's financial statements and recent changes in interest and exchange rates.	

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2024-25 audit (2023-24: 75%), and 75% of residual group account materiality for the 2024-25 audit (2023-24: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period.

Other Materiality Considerations

There were revisions to the materiality threshold as the audit progressed. The value of the BEAPFF derivative has moved from an opening liability value of £173.4bn to a liability of £171.9bn by the reporting date, with significant variations in intervening periods. This is reflected in the overall materiality level.

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £1 million, as well as uncorrected misstatements in aggregate whose individual values are between £300,000 and £1 million. I undertook to report differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Audit and Risk Committee have decreased net expenditure and liabilities by £15 million.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of HM Treasury and its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

I identified seven components with risks of material misstatement for my audit of the Departmental Group: HM Treasury (Parent); Pool Reinsurance Company Ltd (Pool Re); National Wealth Fund (NWF), UK Sovereign Sukuk plc (Sukuk), UK Asset Resolution Ltd (UKAR); Reclaim Fund Ltd (RFL) and Royal Household (RH). Together these represent over 99% of the group's gross liabilities excluding the BEAPFF derivative.

I carried out a full audit of HM Treasury as part of my audit of the Departmental Group and had regular involvement in my statutory audits of Pool Re, RFL and RH, particularly in respect of the key audit matter that I identified in relation to the existence and valuation of Pool Re's financial instruments. I have performed sufficient audit work on

NWF, UKAR and Sukuk to support my opinions, particularly in respect of the key audit matters that I identified in relation to NWF's new and complex financial instruments and UKAR's defined benefit pension liabilities.

This work covered substantially all of the Group's liabilities and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of HM Treasury and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by HM Treasury and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within HM Treasury and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing HM Treasury and its Group'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 the Accounting Officer anticipates that the services provided by HM Treasury and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of HM Treasury and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, HM Treasury's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to HM Treasury and its Group's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HM Treasury and its Group's controls relating to HM Treasury's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and Supply and Appropriation Acts.
- inquired of management, HM Treasury's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including relevant component audit teams and the relevant internal and external specialists, including Modelling, Corporate Finance and Actuaries regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within HM Treasury and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of HM Treasury and its Group's framework of authority and other legal and regulatory frameworks in which HM Treasury and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of HM Treasury and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2024, European Union (Withdrawal Agreement) Act 2020, Bank of England Act 1998, Financial Assistance to Ukraine Act 2025, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, internal audit, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I considered whether my audit work identified any transactions of high risk of not complying with relevant laws and regulations, and reviewing HM Treasury's assessment of compliance for any such transactions;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I confirmed compliance with Managing Public Money where this is relevant to my audit of the financial statements and of the parts of the Accountability Report that are described in that report as having been audited. I performed this by confirming that relevant approvals required under Managing Public Money have been obtained by management and that disclosures required by Managing Public Money have been appropriately included within the financial statements and are complete;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I confirmed that HM Treasury has complied with the parliamentary control totals set out in the Supply and Appropriation (Main Estimates) Act 2024 and Supply and Appropriation (Adjustments) Act 2024 by confirming that outturn is within the limits approved by Parliament, that the allocation of amounts to those parliamentary control categories is appropriate and that management have not vired amounts inappropriately between control totals approved by Parliament. I also performed work to confirm that journals which move amounts in favourable directions, from a parliamentary control total perspective, were appropriate and did not indicate fraud through management override of controls.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and relevant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

18 July 2025

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure (SoCNE) for the period ended 31 March 2025

In £m	Note	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies (Restated)[72]	2023-24 Departmental Group (Restated)
Income from sales of goods and services	2	(48)	(48)	(47)	(47)
Other operating income	3	(286)	(538)	(228)	(598)
Total operating income		**(334)**	**(586)**	**(275)**	**(645)**
Staff costs	5	211	313	209	297
Operating costs	6	2,070	2,081	319	331
Movement in provisions	19	652	833	(820)	(651)
Total operating expenditure		**2,933**	**3,227**	**(292)**	**(23)**
Net operating costs/ (income) before financing		**2,599**	**2,641**	**(567)**	**(668)**
Finance income	4	(286)	(561)	(621)	(816)
Finance expense	4	8	100	(14)	3
Revaluation of financial assets and liabilities	14	34,456	34,297	40,061	39,831
Net expenditure before tax		**36,777**	**36,477**	**38,859**	**38,350**
Taxation		–	56	–	95
Total net expenditure after tax		**36,777**	**36,533**	**38,859**	**38,445**
Other comprehensive net (income)/expenditure					
Items that will not be reclassified to net operating expenditure					
Net (gain)/loss on assets recognised in reserves	SoCTE	(3,175)	(3,240)	(89)	(80)
Actuarial (gain)/loss on pension scheme liabilities	SoCTE	–	(7)	–	69
Total other comprehensive net (income)/expenditure		**(3,175)**	**(3,247)**	**(89)**	**(11)**
Net comprehensive expenditure for the year		**33,602**	**33,286**	**38,770**	**38,434**

The notes on pages 147 to 215 and Annex C form part of these accounts.

72 Prior periods have been restated due to a change in the input data for the valuation of our equity investments. See also **Note 27 – Prior period restatements**.

Consolidated Statement of Financial Position (SoFP) as at 31 March 2025

In £m	Note	31 March 2025 Core Department & Agencies	31 March 2025 Departmental Group	31 March 2024 Core Department & Agencies (Restated)	31 March 2024 Departmental Group (Restated)[73]	1 April 2023 Core Department & Agencies (Restated)	1 April 2023 Departmental Group (Restated)
Non-current assets							
Property, plant and equipment		9	38	10	41	11	41
Intangible assets		8	7	7	8	8	9
Right of use assets		57	78	63	66	70	77
Trade and other receivables	7	2,389	2,650	2,885	3,159	4,250	4,542
Net pension asset	10	–	351	–	331	–	399
Equity investments	11	9,385	9,618	14,145	14,112	17,050	16,854
Loans and investment securities	12	586	6,510	24	5,000	64	5,223
Total non-current assets		**12,434**	**19,252**	**17,134**	**22,717**	**21,453**	**27,145**
Current assets							
Inventory		23	24	27	28	28	28
Trade and other receivables	7	1,421	1,356	2,385	2,451	1,424	1,450
Loans and investment securities	12	707	1,128	131	1,480	–	1,141
Derivative financial assets	13	–	98	–	10	–	53
Cash and cash equivalents	8	6,129	7,015	2,545	3,483	1,396	1,979
Total current assets		**8,280**	**9,621**	**5,088**	**7,452**	**2,848**	**4,651**
Total assets		**20,714**	**28,873**	**22,222**	**30,169**	**24,301**	**31,796**
Current liabilities							
Lease liabilities		(10)	(10)	(6)	(7)	(7)	(9)
Trade and other payables	9	(6,833)	(7,147)	(3,934)	(4,308)	(4,076)	(4,444)
Provisions	19	(1,597)	(1,934)	(1,869)	(2,186)	(6,342)	(6,603)
Derivative financial liabilities	13	(171,908)	(171,930)	(173,389)	(173,414)	(177,632)	(177,640)
Commitments	12.2	(753)	(753)	–	–	–	–
Financial guarantees	16	(13)	(10)	(19)	(19)	(21)	(21)
Total current liabilities		**(181,114)**	**(181,784)**	**(179,217)**	**(179,934)**	**(188,078)**	**(188,717)**
Non-current liabilities							
Lease liabilities		(49)	(70)	(58)	(60)	(65)	(71)
Trade and other payables	9	(518)	(1,182)	(430)	(1,080)	(404)	(1,029)
Provisions	19	(8,566)	(8,568)	(9,544)	(9,548)	(12,985)	(12,990)
Commitments	12.2	(525)	(525)	–	–	–	–
Financial Guarantees	16	(150)	(214)	(173)	(218)	(194)	(194)
Total non-current liabilities		**(9,808)**	**(10,559)**	**(10,205)**	**(10,906)**	**(13,648)**	**(14,284)**
Total assets less liabilities		**(170,208)**	**(163,470)**	**(167,200)**	**(160,671)**	**(177,425)**	**(171,205)**
Taxpayers' Equity							
General fund	SoCTE	(172,513)	(164,863)	(162,289)	(154,783)	(168,226)	(161,039)
Fair value reserve	SoCTE	2,303	1,391	(4,913)	(5,890)	(9,201)	(10,168)
Revaluation Reserve	SoCTE	2	2	2	2	2	2
Total taxpayers' equity		**(170,208)**	**(163,470)**	**(167,200)**	**(160,671)**	**(177,425)**	**(171,205)**

The notes on pages 147 to 215 and Annex C form part of these accounts.

James Bowler CB
Permanent Secretary
17 July 2025

73 The figures for group loans and investment securities in 2023-24 has been restated to transfer an additional £248m from non-current assets to current assets. Prior periods have been restated due to a change in the input data for the valuation of our equity investments. See also Note 27 – Prior period restatements.

Consolidated Statement of Changes in Taxpayers' Equity[74] (SoCTE) for the period ended 31 March 2025

Group

In £m	Note	General Fund	Fair Value Reserve (Restated)	Revaluation Reserve	Total Reserves (Restated)[75]
Balance at 1 April 2023		**(161,039)**	**(10,168)**	**2**	**(171,205)**
Net income/(expenditure) after tax		(38,445)	–	–	(38,445)
Change in CFERs[76] payable to the Consolidated Fund		31	–	–	31
CFERs paid to the Consolidated Fund	SOPS 4.1	(245)	–	–	(245)
Supply payable adjustment	9	(2,545)	–	–	(2,545)
Net parliamentary funding – drawn down		50,350	–	–	50,350
Net parliamentary funding – deemed		1,396	–	–	1,396
Consolidated Fund standing services		4	–	–	4
Actuarial gains and losses on pension schemes		(69)	–	–	(69)
Dividends paid[77]		(33)	–	–	(33)
Other movements		10	–	–	10
Revaluation gains/(losses)			80	–	80
Transfers		(4,198)	4,198	–	–
Balance at 31 March 2024		**(154,783)**	**(5,890)**	**2**	**(160,671)**
Net income/(expenditure) after tax		(36,533)	–	–	(36,533)
Change in CFERs payable to the Consolidated Fund	9	(93)	–	–	(93)
CFERs paid to the Consolidated Fund	SOPS 4.1	(172)	–	–	(172)
Supply payable adjustment	9	(6,129)	–	–	(6,129)
Net parliamentary funding – drawn down		34,434	–	–	34,434
Net parliamentary funding – deemed		2,545	–	–	2,545
Consolidated Fund standing services		5	–	–	5
Actuarial gains and losses on pension schemes		7	–	–	7
Dividends paid		(97)	–	–	(97)
Other movements		(6)	–	–	(6)
Revaluation gains/(losses)			3,240	–	3,240
Transfers		(4,041)	4,041	–	–
Balance at 31 March 2025		**(164,863)**	**1,391**	**2**	**(163,470)**

The notes on pages 147 to 215 and Annex C form part of these accounts.

74 This statement shows the movement in the year on the different reserves held by HM Treasury Group, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Fair Value Reserve reflects the change in financial instrument asset values that have not been recognised as income or expenditure. The Revaluation Reserve reflects the change in other asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

75 Prior periods have been restated due to a change in the input data for the valuation of our equity investments. See also **Note 27 – Prior period restatements**.

76 Consolidated Fund Extra Receipts (CFERs).

77 Dividend paid by Pool Re to its members.

Consolidated Statement of Changes in Taxpayers' Equity (SoCTE) for the period ended 31 March 2025

Core Treasury and Agencies

In £m	Note	General Fund	Fair Value Reserve (Restated)	Revaluation Reserve	Total Reserves (Restated)[78]
Balance at 1 April 2023		**(168,226)**	**(9,201)**	**2**	**(177,425)**
Net income/(expenditure) after tax		(38,859)	–	–	(38,859)
Change in CFERs payable to the Consolidated Fund		31	–	–	31
CFERs paid to the Consolidated Fund	SOPS 4.1	(245)	–	–	(245)
Supply payable adjustment	9	(2,545)	–	–	(2,545)
Net parliamentary funding – drawn down		50,350	–	–	50,350
Net parliamentary funding – deemed		1,396	–	–	1,396
Consolidated Fund standing services		5	–	–	5
Other movements		3	–	–	3
Revaluation gains/(losses)	11	–	89	–	89
Transfers		(4,199)	4,199	–	–
Balance at 31 March 2024		**(162,289)**	**(4,913)**	**2**	**(167,200)**
Net income/(expenditure) after tax		(36,777)	–	–	(36,777)
Change in CFERs payable to the Consolidated Fund	9	(93)	–	–	(93)
CFERs paid to the Consolidated Fund	SOPS 4.1	(172)	–	–	(172)
Supply payable adjustment	9	(6,129)	–	–	(6,129)
Net parliamentary funding – drawn down		34,434	–	–	34,434
Net parliamentary funding – deemed		2,545	–	–	2,545
Consolidated Fund standing services		5	–	–	5
Other movements		4	–	–	4
Revaluation gains/(losses)	11	–	3,175	–	3,175
Transfers		(4,041)	4,041	–	–
Balance at 31 March 2025		**(172,513)**	**2,303**	**2**	**(170,208)**

The notes on pages 147 to 215 and Annex C form part of these accounts.

78 Prior periods have been restated due to a change in the input data for the valuation of our equity investments. See also **Note 27 – Prior period restatements**.

Consolidated Statement of Cashflows (SoCF)

For the period ended 31 March 2025

In £m	Note	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
Cash flows from operating activities					
Net operating income/(expenditure) before financing	SoCNE	(2,599)	(2,641)	567	668
Adjustments for non-cash transactions	26	1,941	2,147	(786)	(597)
Changes in working capital		952	1,154	(661)	(802)
Corporation tax paid		–	(79)	–	(71)
Use of provisions	19	(1,903)	(2,073)	(7,094)	(7,208)
Net cash flows from operating activities		**(1,609)**	**(1,492)**	**(7,974)**	**(8,010)**
Cash flows from investing activities					
Proceeds/(payments): derivatives	13	(36,323)	(36,271)	(44,549)	(44,395)
Proceeds: sale of shares UK listed entities	11	8,156	8,156	3,484	3,484
Proceeds: sale of investment securities and other assets		–	552	–	356
Proceeds: interest, dividend and other finance income		465	645	676	923
Purchases: financial assets		(1,589)	(9,037)	(968)	(6,186)
Proceeds: repayment of financial assets		230	6,775	387	5,285
Other investing activities		(7)	42	(9)	(18)
Net cash inflow from investing		**(29,068)**	**(29,138)**	**(40,979)**	**(40,551)**
Cash flows from financing activities					
Cash from the Consolidated Fund (non-supply)		5	5	5	5
Cash from the Consolidated Fund (supply) – current year		34,950	34,950	50,350	50,350
Advances from the Contingencies Fund		753	753	–	–
Repayments to the Contingencies Fund		(753)	(753)	–	–
Dividends paid		–	(97)	–	(33)
Capital element of leases		(6)	(8)	(8)	(12)
Net cash flows from financing		**34,949**	**34,850**	**50,347**	**50,310**
Net increase in cash and cash equivalents before adjustments		**4,272**	**4,220**	**1,394**	**1,749**
Payments of receipts due to the Consolidated Fund	SoCTE	(172)	(172)	(245)	(245)
Supply returned to the Consolidated Fund	SoCTE	(516)	(516)	–	–
Net increase/(decrease) in cash and cash equivalents after adjustments	8	**3,584**	**3,532**	**1,149**	**1,504**
Cash and cash equivalents at the beginning of the period	8	2,545	3,483	1,396	1,979
Cash and cash equivalents at the end of the period	8	**6,129**	**7,015**	**2,545**	**3,483**

The notes on pages 147 to 215 and Annex C form part of these accounts.

Notes to the Resource Accounts

1. Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the Government Financial Reporting Manual 2024-25 (FReM) and the Government Resources and Accounts Act 2000. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted and interpreted for public sector context. Where the FReM permits a choice of accounting policy, for the purpose of giving a true and fair view, the accounting policy which is judged to be most appropriate to the circumstances of HM Treasury group has been selected. The policies adopted by HM Treasury are described below and are included throughout.

Accounting Policy:

We have included signposting which would be helpful in understanding the nature of the financial information in the accounts:

- Information which provides more detail about transactions and balances.
- Provides further information regarding the key contractual terms and/or underlying mechanism which influence transactions or balances.

HM Treasury is a UK government department, domiciled in the United Kingdom and its principal place of business is at 1 Horse Guards Road, London. The presentational and functional currency is pound sterling.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of land and buildings and certain financial instruments to fair value, as determined by the relevant accounting standards and the bespoke accounts direction issued by HM Treasury. The bespoke accounts direction directs HM Treasury to account for income received from the financial settlement of the EU Withdrawal Agreement within the consolidated group accounts, rather than in a trust statement. It also allows HM Treasury to apply IFRS 9 as adapted by the FReM to its shareholding in NatWest Group plc.

1.3 Basis of consolidation

These accounts consolidate core treasury and agencies and those entities which fall within the departmental boundary as defined in the FReM and listed in the Designation Order 2024-25 issued by HM Treasury.

Transactions between entities included in the reporting boundary are eliminated on consolidation. All entities have a 31 March reporting date.

Entity name	Principal activity
Core Department and Executive Agencies	
HM Treasury	Core department (includes the Office of Financial Sanctions Implementation and the Office for Value for Money)
UK Debt Management Office	Supporting government financing activities
National Infrastructure Commission[79]	Independent advice on infrastructure
Government Internal Audit Agency	Internal audit services to government bodies
Additional entities consolidated into the Departmental Group	
National Wealth Fund Ltd (NWF)[80]	Investment in infrastructure projects
Pool Reinsurance Company Ltd[81] (Pool Re)	Reinsuring terrorism risk
Reclaim Fund Ltd (RFL)	Distribution of dormant assets
UK Asset Resolution Ltd (UKAR)	Asset and liability management
Royal Household Sovereign Grant	Public funding for the Royal Household
UK Government Investments Ltd (UKGI)	Manage government shareholdings
Office for Budget Responsibility (OBR)	Independent fiscal watchdog
HM Treasury UK Sovereign Sukuk plc	Issue of Sukuk
IUK Investments Holdings Ltd[82]	Investment in Private Finance 2 projects
Royal Mint Advisory Committee	Advice on design of coins, seals & medals
Financial Reporting Advisory Board	Advice on government financial reporting

For details on HM Treasury's ownership interests in other entities which are not consolidated, refer to Note 11 – Equity Investments. See also page 58 of the Governance Statement.

1.4 Going concern

In common with other government departments, the financing of the department is to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2025-26 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be made. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.5 Standards in issue but not yet effective

Several new accounting standards have been issued but are not yet effective. The HM Treasury Group will apply new and revised standards once they have been adopted by the public sector as set out in the Government Financial Reporting Manual (FReM). Management has already begun an assessment of their impact. Dates for adoption by the public sector of IFRS 18 Presentation and Disclosure of Financial Statements and 19 Subsidiaries without Public Accountability: Disclosures have not yet been published.

79 National infrastructure and service transformation authority (NISTA) was formed on 1 April 2025 when it brought together the functions of the National Infrastructure Commission and the Infrastructure and Projects Authority.

80 Formerly UK Infrastructure Bank Ltd (UKIB). NWF expands UKIB's remit beyond infrastructure, in support of the Government's industrial strategy. NWF has additional financial capacity and an enhanced risk budget.

81 Including Pool Re's subsidiaries Pool Re Services Ltd and Pool Re Solutions Ltd.

82 Including IUK Investments Holdings Ltd's subsidiary, IUK Investments Ltd

IFRS 17 Insurance contracts – key requirements and changes in accounting policy

IFRS 17 Insurance contracts was issued in May 2017 and supersedes IFRS 4 Insurance contracts. The standard was effective for financial periods on or after 1 January 2023; however, adoption by the public sector is delayed to financial periods beginning on or after 1 April 2025.

IFRS 17 Insurance contracts will increase the transparency of entities' financial positions and performance and make financial statements across different entities more comparable. IFRS 4 Insurance contracts was an interim standard which was only intended to be in place until the International Accounting Standards Board completed its project on insurance contracts.

IFRS 4 Insurance contracts allows for a variety of treatments depending on the type of contract and entity interpretation. Entities are free to derive their own interpretations of revenue recognition and calculation of reserves.

IFRS 17 Insurance contracts addresses these limitations by introducing a more comprehensive and standardised approach to accounting for insurance contracts. It establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and sets strict criteria that should be met before unbundling can be done.

Significant Considerations and Judgements

The adoption of IFRS 17 introduced specific requirements that impact the recognition of the Group's insurance contracts issued to Pool Re's members, the commercial retrocession agreements held by Pool Re and the retrocession agreement between HM Treasury and Pool Re. Noticeably this included whether to use the General Measurement Model (GMM) or the Premium Allocation Approach (PAA). Following a review of Pool Re's analysis, HM Treasury assessed that for insurance contracts that exceed 12 months, applying the PAA results in measurements not materially different from the GMM.

A key judgement for the implementation of IFRS 17 is the contract's significant financing component, as premiums paid from Pool Re to HM Treasury are paid in arrears with interest. The discount rate for measuring these cash flows is still under consideration, because HM Treasury are assessing the use of the PES rate, which is recommended by the FReM or using the same rate as Pool Re for consistency.

In using the PAA, the HM Treasury Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. The HM Treasury Group has considered the contracts issued to Pool Re's members, which require government support through the retrocession agreement, implying that they could be or could become onerous. These have been assessed against the key facts and circumstances relating to the insurance contracts issued, including historical profitability, expected loss and expense ratios and the current threat environment, and determined that is a reasonable assumption that the HM Treasury Group has no onerous contracts.

Implementation progress and expected impact

Due to contracts issued by Pool Re, the HM Treasury Group has a significant level of insurance contracts which are in scope of the new Standard. Pool Re first adopted IFRS 17 Insurance Contracts in its 2023-24 accounts, in line with the private sector implementation period. Nonetheless to reflect the public sector's later adoption, the consolidated figures in HM Treasury Group financial statements for 2023-24 and 2024-25 included FReM alignment adjustments from IFRS 17 Insurance contracts to IFRS 4 Insurance contracts. As a result, the figures in this report will not directly align to Pool Re's Annual Report. In 2025-26 these adjustments will be removed.

The current retrocession agreement between HM Treasury and Pool Re[83] in 2022 and later amended in 2024 is under the scope of IFRS 4. The new retrocession agreement, which comes into effect on the 1st April 2025, still makes funding available should Pool Re's own resources be insufficient to pay out on claims it receives. This will be in the scope of IFRS 17 Insurance Contracts.

HM Treasury has reviewed this contract alongside the new Standard and has begun an impact assessment exercise. HM Treasury has also completed a commission, across the department and group and concluded that the majority of contracts were out of the scope of IFRS 17. HM Treasury will conclude its full assessment over the next financial year.

The HM Treasury Group has assessed the impact that the application of IFRS 17 Insurance contracts will have on the comprehensive net expenditure for the financial year ending 31 March 2025 and on the statement of financial position at that date. The figures below represent HM Treasury's current best estimate of the IFRS 17 impact for existing insurance contracts as at 31 March 2025. The full impact of IFRS 17 will be known once the assessment is complete for all contracts.

The Standard would decrease total group assets 2024–25 by £100m and decrease total group liabilities by £89m.

The standard will be applied retrospectively.

Comprehensive Net Expenditure (SoCNE) for the period ended 31 March 2025

Group

In £m	As stated under IFRS 4	Adjustments	As restated under IFRS 17
Insurance premiums	(263)	263	–
Insurance revenue	–	(263)	(263)
Total operating income	**(263)**	**–**	**(263)**
Reinsurance expense	49	–	49
Other operating expenditure	3	(3)	–
Insurance service expenditure	–	3	3
Total operating expenditure	**52**	**–**	**52**
Net comprehensive expenditure for the year	**(211)**	**–**	**(211)**

£263m previously presented as other operating income (Insurance premiums) reclassified as Insurance revenue.

Operating expenditure related to insurance activities (£3m) are reclassified as Insurance service expenditure.

83 For further details of the retrocession agreement see Note 17 – Financial and Insurance risk.

Consolidated Statement of Financial Position (SoFP) as at 31 March 2025

Group

In £m	As stated under IFRS 4	Adjustments	As restated under IFRS 17
Trade and other receivables	53	(53)	–
Reinsurance asset	47	(47)	–
Total assets	**100**	**(100)**	**–**
Unearned reinsurance premiums	(119)	119	–
Trade and other payables	(53)	53	–
Insurance contract liabilities	–	(66)	(66)
Reinsurance contract liabilities	–	(6)	(6)
The CFERs payable to Consolidated Fund	(209)	(60)	(269)
Total current liabilities	**(381)**	**40**	**(341)**
The CFERs payable to Consolidated Fund	(288)	49	(239)
Total non-current liabilities	**(288)**	**49**	**(239)**
General Fund	–	11	11
Total taxpayers' equity	**–**	**11**	**11**

Trade and other receivables related to the accrued premium income (£53m) are reclassified as insurance contract liabilities.

Reinsurance assets (£47m), which is the unearned premium reserve for commercial insurance agreements are reclassified as reinsurance contract liabilities.

Unearned reinsurance premiums (£119m) are reclassified as insurance contract liabilities.

Trade and other payables related to reinsurance creditors (£53m) are reclassified as reinsurance contract liabilities.

IFRS 17 requires insurance contract assets and liabilities to be measured on a discounted basis, reflecting the time value of money. The application of this requirement has resulted in a time value adjustment of £49 million to the payable to the consolidated fund.

The general fund has increased by £11m to reflect the increase in CFERs payable to the Consolidated Fund in respect of money earned by HM Treasury through the Retrocession Agreement (See core below). This passes through reserves, and at group level does not offset against eliminating intra-group revenue from the Retrocession Agreement.

Comprehensive Net Expenditure (SoCNE) for the period ended 31 March 2025

Core

In £m	As stated under IFRS 4	Adjustments	As restated under IFRS 17
Fees and charges	(218)	218	0
Insurance revenue	–	(310)	(310)
Total operating income	**(218)**	**(92)**	**(310)**
Finance income	(43)	32	(11)
Net comprehensive expenditure for the year	**(261)**	**(60)**	**(321)**

£218m previously presented as other operating income (Fees and charges) are now classified as Insurance revenue.

£43m of interest income from the retrocession agreement is reclassified as Insurance revenue.

£11 million of interest income from the retrocession premium has been recognised.

Insurance income has increased by £60 million due to a change in the treatment of unearned premium balances and has decreased by £10 million as a result of the time value adjustment required.

Consolidated Statement of Financial Position (SoFP) as at 31 March 2025

Core

In £m	As stated under IFRS 4	Adjustments	As restated under IFRS 17
Pool Re accrued income	288	(288)	–
Insurance contract assets	–	239	239
Total non-current assets	**288**	**(49)**	**239**
Pool Re accrued income	269	(269)	–
Insurance contract assets	–	269	269
Total current assets	**269**	**–**	**269**
Total assets	**557**	**(49)**	**508**
Unearned reinsurance premiums	(60)	60	–
The CFERs payable to Consolidated Fund	(209)	(60)	(269)
Total current liabilities	**(269)**	**–**	**(269)**
The CFERs payable to Consolidated Fund	(288)	49	(239)
Total non-current liabilities	**(288)**	**49**	**(239)**
General Fund	–	–	–
Total taxpayers' equity	**–**	**–**	**–**

Current and Non-current accrued income from Pool Re (£239m & £269m) is reclassified as reinsurance contract assets.

Unearned premium reserves (£60m) reclassified as the CFERs payable to the consolidated fund.

IFRS 17 requires insurance contract assets and liabilities to be measured on a discounted basis, reflecting the time value of money. The application of this requirement has resulted in a time value adjustment of £49 million to both the current reinsurance contract assets and the payable to the consolidated fund.

The HM Treasury Group will update the financial statements in line with the new Standard for the 2025-26 Annual Report and Accounts.

1.6 Significant judgements and estimates

The preparation of financial statements requires management to make estimates and judgements. Actual results could differ from estimates. Information about these judgements and estimates is contained in the relevant accounting policies and notes to the accounts. The key areas of estimation uncertainty and judgement are:

- Equity investments and valuation of unlisted equity investments **(Note 11 – Equity investments)**
- Provisions **(Note 19 – Provisions)**

- Provisions related to EU Financial Settlement (Article 140 and 142) and receivables and payables related to EU financial operations in the financial settlement with the EU (Article 143 and 144) **(Note 15 – EU Financial Settlement)**
- Extraordinary Revenue Acceleration funding to Ukraine **(Note 12 – Loans and investment securities)**
- Expected credit losses ('ECL') on guarantees **(Note 16 – Financial guarantees)**
- Defined Benefit Pension Liabilities **(Note 10 – Net pension asset)**
- Fair value hierarchy **(Note 18 – Group financial instruments – fair value)**

1.7 Heritage Assets

The Sovereign Grant is used to maintain the land and buildings that are held by The King in trust for the nation and cannot be sold without the authority of the Department for Culture, Media and Sport.

Owing to the incomparable nature of these properties, it is considered that conventional valuation techniques lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. As a result, no value is reported for these assets in the Statement of Financial Position (SoFP).

For details on the management of heritage assets, see the Sovereign Grant Annual Report.

1.8 Tax

Value Added Tax (VAT)

Many activities of HM Treasury are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Corporation Tax

The core department and its agencies are exempt from corporation tax by way of Crown exemption. Some consolidated bodies are subject to corporation tax on taxable profits. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to HM Revenue and Customs, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

1.9 Operating segment reporting

In accordance with the relevant reporting requirements, including IFRS 8 *Operating Segments,* the Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes reflect net resource and capital outturn in line with the control totals voted by Parliament.

The figures within SOPS 1.1 provide the income and expenditure totals associated with key business activities within the HM Treasury Group and reflect the HM Treasury business plan and the management information reported to the Board during the period.

1.10 Foreign currencies

Transactions which are not denominated in pound sterling are translated at the spot rate of exchange on the date of the transaction. Monetary assets and liabilities which are not denominated in pound sterling are translated at the closing rate of exchange at the reporting date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the Statement of Comprehensive Net Expenditure (SoCNE).

Revenue

Accounting Policy: Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue from contracts with customers recognised under IFRS 15 is shown in **Note 2 – Income from sale of goods and services**. The HM Treasury Group recognises revenue when it transfers control over a product or service to a customer.

Note 4 – Finance income and expenses shows income to which HM Treasury is entitled from the financial assets held under IFRS 9 *Financial Instruments,* covered by accounting policies set out on page 164.

Note 3 – Other operating income shows income recognised in line with other standards or for which IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has been used to determine the most appropriate accounting policy to serve as the basis for recognition, as discussed below.

IFRS 15 *Revenue from contracts with customers* is not applicable to **Dormant account monies** received by Reclaim Fund Ltd. In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management has used its judgement in developing and applying an accounting policy that results in information that is relevant and reliable in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The HM Treasury Group recognises receipts from participants of dormant account monies, when it is virtually certain that future economic benefits will flow to the Group and these benefits can be measured reliably.

Insurance premiums are related to Pool Re's principal activity, which is reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland. The HM Treasury Group has reviewed the nature of the reinsurance business it transacts through Pool Re. It is satisfied that all reinsurance business transfers significant insurance risk to the Group and meet the definition of insurance contracts, as defined by IFRS 4 *Insurance Contracts*. All premiums recognised in line with IFRS 4 within the SoCNE relate to standard insurance contracts.

(i) Premiums written

Premiums written relate to insurance contracts that begin during the year, together with any difference between booked premiums for prior years and those previously accrued. This includes estimates of premiums due but not yet notified to the Group. Where written premiums are subject to subsequent adjustment, reductions are made as soon as they are foreseen; however, potential increases are not recognised until the amount can be determined with reasonable certainty. Additional or return premiums are treated as adjustments to gross written premiums.

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis. The unearned premiums calculation has been carried out using the most appropriate basis available. This is considered to be the eighths basis, which is used by Pool Re and widely in the insurance sector. This basis assumes that the premium received for a particular quarter represents policies which begin, on average, at the mid-point of the quarter. Thus 1/8 of the premium for the first quarter, 3/8 of the premium for the second quarter, 5/8 of the premium for the third quarter and 7/8 of the premium for the fourth quarter is unearned at the end of the period. The Group calculates unearned premiums in respect of its gross written premiums and also in respect of the commercial retrocession it has purchased.

Fees and Charges for HM Treasury core department and agencies arise primarily from a retrocession agreement between Pool Re and HM Treasury.[84] Under the agreement, funds would be provided to Pool Re if they faced claims in excess of Pool Re's resources. The risk associated with Pool Re not having the ability to pay for claims above their own resources has been transferred to HM Treasury. This agreement constitutes the substance of an insurance contract, though the agreement does give HM Treasury a right to repayment of any funds called upon by Pool Re. 50% of Pool Re's gross written premiums and 25% of surplus earnings during the underwriting period are payable to HM Treasury. Income from the retrocession agreement is calculated with the eighths basis, which is in line with Pool Re. HM Treasury also calculates unearned premiums in respect of the retrocession agreement with Pool Re.

Dividend Income is recognised in profit and loss on the date on which the right to receive payment is established. For quoted equity securities, this is the ex-dividend date. For unquoted equity securities, this is the date on which the shareholders approve the payment of a dividend.

2. Income from sales of goods and services

	2024-25		2023-24	
In £m	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Internal audit fees	(46)	(46)	(45)	(45)
Other income from sale of goods and services	(2)	(2)	(2)	(2)
Total	**(48)**	**(48)**	**(47)**	**(47)**

3. Other operating income

	2024-25		2023-24	
In £m	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Fees and charges	(243)	(30)	(189)	(28)
Dormant accounts	–	(173)	–	(241)
Insurance premiums	–	(263)	–	(263)
Recoveries and recharges	(20)	(35)	(13)	(34)
Other operating income	(23)	(37)	(26)	(32)
Total	**(286)**	**(538)**	**(228)**	**(598)**

84 Which eliminate upon consolidation.

Fees and charges include fee income from Pool Re for £218m (2023-24: £164m) in relation to the retrocession agreement with HM Treasury which are surrendered to the Consolidated Fund.

Insurance premiums are related to Pool Re's principal activity which is reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland.

Dormant accounts income relates to funds received by Reclaim Fund Ltd (RFL) from dormant assets within participating banks, building societies and financial services firms.

4. Finance income and expenses

Finance income

In £m	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
Interest income from loans and fixed income securities	(132)	(382)	(119)	(291)
Dividend income	(154)	(179)	(502)	(525)
Total	**(286)**	**(561)**	**(621)**	**(816)**

Interest income mainly comprises of £213m (2023-24: £163m) interest from Pool Re's investment holdings.

Dividend income received from NatWest was £154m in 2024-25 (2023-24: £502m). The £348m decrease relates primarily to the reduction of HM Treasury shareholding from 29.3% in March 2024 to 3.6% in March 2025. Of the NatWest dividends received, £63m in 2024-25 and £50m in 2023-24 relate to the shareholdings held at 31 March 2025.

Finance expenses

In £m	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
Impairments/(impairment reversals) of financial assets	1	91	(22)	(8)
Interest expense	6	8	7	10
Interest element of leases	1	1	1	1
Total	**8**	**100**	**(14)**	**3**

Operating Expenditure

5. Staff costs

HM Treasury group had staff costs of £313m related to salaries, social security and pension costs. More detail alongside staff numbers can be found in the remuneration and staff report on page 94.

6. Operating costs

	2024-25		2023-24	
In £m	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
ERA grant	1,734	1,734	–	–
Grant in aid to ALBs	184	–	178	–
Professional and office services	74	143	73	138
Reinsurance expense	–	49	–	45
Other purchases of goods and services	38	102	34	102
Other operating expenditure	40	53	34	46
Total	**2,070**	**2,081**	**319**	**331**

ERA grant represents the difference between the £753m cash advanced to Ukraine under the Extraordinary Revenue Acceleration (ERA) initiative and the fair value of the associated loan asset recognised. This also represents the fair value of the below market rate loan commitment liability arising from the two further payments due of £1,505m. Upon entering the loan agreement HM Treasury recognised there was a degree of risk in repayment, given the novel nature of this loan. However, HM Treasury concluded that this structure represented the best value for money in support of HM Treasury's policy objectives in relation to the conflict in Ukraine. HM Treasury did not expect full repayment of cash advanced, as in substance these loans are issued in support of HM Treasury's policy objectives in relation to the conflict in Ukraine. HM Treasury considers this difference between transaction price and fair value to be a government grant. See **Note 12 – Loans and investment securities** for more detail on the accounting of these payments and the associated inflows. See also **Note 28 – Events After the Reporting Period**.

Grant-in-aid payments are provided by HM Treasury to finance all, or part of, Arm's Length Bodies (ALBs) operating costs. These payments are eliminated on consolidation.

Professional and office services is predominantly office services (£61m), professional services (£43m), legal services (£17m) and consultancy (£15m) used by the department, its agencies and other bodies in the group.

Working Capital

Accounting Policies: Financial assets and liabilities – Policies relevant to trade and other receivables and trade and other payables are set out on pages 164 and 176.

7. Trade and other receivables

	2024-25		2023-24	
In £m	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Amounts falling due within one year:				
Trade receivables	22	78	15	79
Accrued interest and dividend income	108	166	347	399
Reinsurance asset	–	47	–	41
Pool Re accrued income	269	–	193	–
Guarantee fees receivable	–	–	2	2
EU financial settlement	1,010	1,010	1,798	1,798
Other	12	55	30	132
Total current	**1,421**	**1,356**	**2,385**	**2,451**
Amounts falling due after more than one year:				
Pool Re accrued income	288	–	273	–
Guarantee fees receivable	–	–	40	87
EU financial settlement	2,101	2,101	2,572	2,572
Sukuk deposit	–	500	–	500
Other	–	49	–	–
Total non-current	**2,389**	**2,650**	**2,885**	**3,159**
Total receivables	**3,810**	**4,006**	**5,270**	**5,610**

Sukuk deposit HM Treasury Sovereign Sukuk PLC made an issuance of £500m of Sukuk certificates (Islamic financial certificates, similar to a bond, that is compliant with Sharia law). The certificates issued on 1 April 2021 are due to be redeemed on 22 July 2026. The issuer of the Sukuk is contractually bound to buy back the certificate at par value (disclosed in **Note 9 – Trade and other payables).** The certificates were sold to investors based in the UK and across major hubs for Islamic finance around the world and the money received was deposited with the National Loans Fund. For more information on the issuance please see the HM Treasury Sovereign Sukuk PLC Accounts which are available on Companies House.

Pool Re accrued income HM Treasury and Pool Re have a retrocession agreement where, funding would be provided to Pool Re should it's own resources be insufficient to pay out on claims it receives. In return HM Treasury receives retrocession payments from Pool Re equating to 50% of gross premiums written and 25% of surplus earnings reported.

Income from the retrocession agreement is receivable 3 years in arrears every March. The receivable from Pool Re includes all income accrued since January 2023 in relation to the retrocession agreement with HM Treasury. This eliminates at a departmental group level.

The amounts received by HM Treasury from Pool Re are in turn payable, to the Consolidated Fund, 3 years in arrears of the related income being recognised (see **Note 9 – Trade and other payables)**

A reconciliation of the current and non-current receivable balances from the retrocession agreement is as follows:

Receivables from Pool Re (In £m)	**2024-25**	**2023-24**
Opening balance	466	435
Retrocession fee and interest earned	262	270
Retrocession fee paid	(171)	(239)
Closing balance	**557**	**466**

For **EU Financial Settlement receivables** see **Note 15 – EU Financial Settlement** for details.

8. Cash and cash equivalents

Accounting Policy: Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with financial institutions.

Highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value are also included. Such investments are normally those with less than 3 months' maturity from the date of acquisition.

	2024-25		2023-24	
In £m	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
Balance at 1 April	2,545	3,483	1,396	1,979
Net change in cash balance and cash equivalent balances	3,584	3,532	1,149	1,504
Total	**6,129**	**7,015**	**2,545**	**3,483**
The following balances were held at 31 March				
Government Banking Service	6,129	6,215	2,545	2,658
Bank of England	–	427	–	471
Commercial banks, cash in hand and cash equivalents	–	373	–	354
Total	**6,129**	**7,015**	**2,545**	**3,483**

Cash and cash equivalents includes £62m (2023-24 (Restated): £4m) of encumbered cash collateral positions in respect of foreign exchange derivative contracts held by Pool Re at year end.

Detail on cash movements can be found in the Consolidated Statement of Cashflows (SoCF)

9. Trade and other payables

In £m	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
Amounts falling due within one year:				
Trade payables	1	7	6	12
Accrued expenditure	20	67	25	62
Unearned reinsurance premiums	60	119	62	125
The CFERs payable to Consolidated Fund	209	209	131	131
Corporation tax payable	–	11	–	3
EU Financial Settlement	403	403	1,154	1,154
Amounts issued from the Consolidated Fund for supply but not spent at year end	6,129	6,129	2,545	2,545
Other	11	202	11	276
Total	**6,833**	**7,147**	**3,934**	**4,308**
Amounts falling due after one year:				
The CFERs payable to Consolidated Fund	288	288	273	273
Sukuk certificates	–	500	–	500
Deferred tax	–	155	–	138
EU Financial Settlement	220	220	147	147
Other	10	19	10	22
Total	**518**	**1,182**	**430**	**1,080**
Total Payables	**7,351**	**8,329**	**4,364**	**5,388**

Amounts issued from the Consolidated Fund for supply but not spent at year end represents the balance of the cash held in the department's bank account at year end that will become available for use on voted activities in the following year when it becomes 'Deemed Supply'.

The CFER payables to the Consolidated Fund mainly relate to insurance premium income from Pool Re, for further detail on this and **Sukuk certificates** – see **Note 7 – Trade and other receivables**

For details of the **EU Financial Settlement related payables** see **Note 15 – EU Financial Settlement**

Other payables contains £133m Pool Re investment creditors and £53m Pool Re reinsurance creditors.

Pensions

Accounting Policy: Pensions

The HM Treasury Group operates several retirement benefit plans for its employees, including defined benefit plans, defined contribution plans and post-retirement healthcare benefits.

Defined contribution schemes

A defined contribution plan is a pension arrangement where the employer pays fixed contributions into a separate fund. UK Government Investments Ltd (UKGI), Reclaim Fund Ltd (RFL), Pool Reinsurance Company Limited (Pool Re) and the Royal Household operate defined contribution schemes.

Defined benefit schemes

UK Asset Resolution (UKAR), and the Royal Household operate defined benefit schemes that are separate from the civil service pension schemes and accounted for under IAS 19 *Employee Benefits*.

Core Treasury, its Executive Agencies, the Office for Budget Responsibility (OBR) and the Royal Household (in addition to its funded defined benefit, and defined contribution schemes) participate in unfunded defined benefit schemes which are accounted for as defined contribution schemes. This is because the share of the underlying assets and liabilities of the scheme attributable to employees funded by the employer,[85] on a consistent and reasonable basis, is not possible.

Pension benefits provided through civil service pension arrangements are detailed in the Remuneration Report. HM Treasury recognises the expected cost of future pension liabilities over the period during which it benefits from employees' service, by payment to civil service pension schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

The costs of defined contribution schemes are recognised as an expense in the Statement of Comprehensive Net Expenditure (SoCNE) as incurred. Prepaid contributions are recognised as an asset, to the extent that a cash refund or a reduction in future payments is available.

Significant judgements and estimates

The pension costs and obligations of the Group's defined benefit pension schemes are calculated in accordance with IAS 19 *Employee Benefits* on a range of actuarial assumptions including the discount rate, inflation rate and mortality. A small change in assumptions can have a significant impact on the valuation of the liabilities.

85 Or its equivalent in previous years.

10. Net pension asset

Defined benefit schemes

In £m	Departmental Group 2024-25	Departmental Group 2023-24
Reconciliation of fair value employer assets		
Balance at 1 April	1,424	1,515
Interest income	67	70
Contributions paid by employer	1	11
Introduction of insured pensioner liabilities	–	–
Remeasurements:		
– Return on plan assets excluding interest income	(153)	(120)
Administrative expenses	(6)	(6)
Benefits paid from plan	(54)	(46)
Balance at 31 March	**1,279**	**1,424**
Reconciliation of defined benefit obligations		
Balance at 1 April	(1,093)	(1,116)
Interest cost	(51)	(51)
Introduction of insured pensioner liabilities	–	–
Remeasurements:		
– effect of GMP equalisation	–	–
– effect of changes in demographic assumptions	29	3
– effect of changes in financial assumptions	124	22
– effect of experience adjustments	9	3
Transfer payments	–	–
Benefits paid from plan	54	46
Balance at 31 March	**(928)**	**(1,093)**
Closing net pension assets	**351**	**331**

The above table shows a reconciliation of the net pension asset for the UKAR and Royal Household defined benefit pension schemes. Further details of these schemes, including valuation assumptions for the defined benefit schemes, are included in their respective annual report and accounts.[86]

The Royal Household operate funded defined benefit schemes. The amount recognised in the Statement of Financial Position is a net asset of £0.5m (2023-24: net asset of £0.5m).

UKAR operate several retirement benefit plans for the former employees of Northern Rock (NRAM) and Bradford & Bingley (B&B), including defined benefit pension plans and post-retirement healthcare benefits. The current service cost of the HM Treasury Group's defined benefit schemes is £nil (2023-24: £nil), as the UKAR schemes are now closed to future service accrual.

86 https://www.ukar.co.uk/financial-reporting/ and https://www.royal.uk/media-centre/financial-reports

The amount recognised in the Statement of Financial Position (SoFP) relating to UKAR for the former B&B defined benefit scheme is a net asset of £246m (2023-24 £230m). In addition to a net liability for post-retirement medical benefits and unfunded defined benefit obligations of £4.7m (2023-24 £5.4m). The amount recognised relating to UKAR for the former Northern Rock defined benefit scheme is a net asset of £118m and a net liability for unfunded defined benefit obligations of £9.0m. (2023-24: net asset of £117m and a net liability for unfunded defined benefit obligations of £10.3m).

The latest formal triennial valuation of the B&B scheme, prepared by the scheme actuaries as at 30 June 2021 and agreed in July 2022, showed a surplus of £129m on a Trustee's valuation basis. The latest formal triennial valuation of the NRAM scheme, prepared by the scheme actuaries at 5 April 2021 and agreed in March 2022, showed a surplus of £75m on a Trustee's valuation basis.

In March 2022 the Public Service Pensions and Judicial Offices Act received Royal Assent. This gives HM Treasury powers to establish new pension schemes to house the pension liabilities of UKAR, and to transfer the assets and liabilities of the schemes to the government. The preparations for an orderly transfer continue. For the purpose of this years HM Treasury accounts disclosures related to these schemes have been included in Annex C of this document.

Financial Assets and Liabilities

The balances and transactions in Notes 7,9, and 11-15 apply the accounting policies for financial assets on page 164 and the accounting policies for financial liabilities on page 176.

Accounting Policy: Financial instruments: financial assets

Initial recognition, measurement and classification

Regular purchases and sales of financial assets are recognised on the trade-date, which is the date on which HM Treasury commits to purchase or sell the asset. HM Treasury determines the classification of financial assets under IFRS 9 *Financial Instruments* with reference to the business model and its contractual cash flow characteristics.

Amortised cost assets

These represent loans and other debt instruments, on the basis that these instruments are only held to collect contractual payments of principal and interest on specified dates. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method. Changes in the carrying amount of associated impairment allowance set out below are recognised in the Statement of Comprehensive Net Expenditure (SoCNE).

Assets classified as Fair Value Through Other Comprehensive Income (FVOCI)

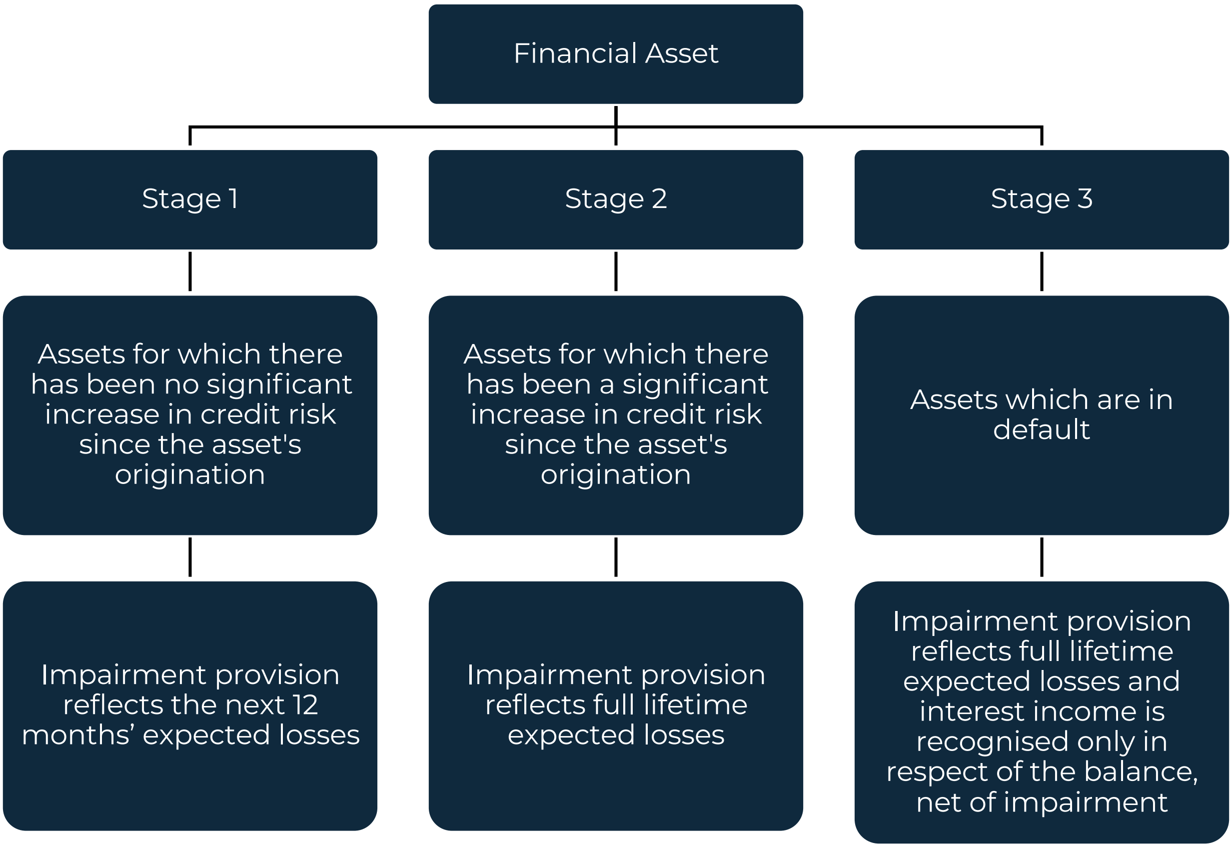
Equity Investments for which the election has been made to hold at FVOCI represent HM Treasury Group's strategic equity investments, which are not held for trading. The basis for designation as Fair Value Through Profit or Loss (FVTPL) or FVOCI is based on criteria set out in IFRS 9 *Financial Instruments*. Fair value movements for FVOCI assets are taken to the Fair Value Reserve, until realised, when they are reclassified to the General Fund.

Financial assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are measured initially at fair value plus transaction costs unless measured at fair value through profit or loss, in which case transaction costs are charged to net expenditure for the year. Financial assets measured at FVTPL includes derivatives and loans and debt instruments, which are not classified as amortised cost. There are also some equity investments, where an irrevocable election has not been made on initial recognition to recognise subsequent changes in FVOCI. Judgements made regarding classification are discussed in **Notes 11 – Equity investments and 12 – Loans and investment securities.**

Expected Credit Loss– Amortised cost assets

An allowance for estimated impairment on amortised cost assets is based on the expected credit loss (ECL). The ECL is charged to the SoCNE and reduces the carrying value in the Statement of Financial Position (SoFP). Each financial asset is categorised as 'stage 1', 'stage 2' or 'stage 3' depending on whether there has been a default event or a significant increase in credit risk since initial recognition. See the diagram below for further information:



For trade receivables, contract receivables and lease receivables, the HM Treasury Group recognises impairment losses using the simplified approach as required by FReM. Under this approach, a lifetime ECL is recognised for all assets.

The amount of any impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows taking account of potential defaults.[87] The present value of estimated future cashflows is based on a probability-weighted evaluation of a range of possible outcomes, based on historic, current and forward-looking information.

87 Discounted at the effective interest rate applicable at the inception of the loan.

For loans and investment securities, the HM Treasury Group considers the probability of future delinquency in contractual payments of principal and interest, or cash flow difficulties experienced by the borrower. The likelihood of breach of loan covenants or conditions or any future deterioration in the value of collateral are also considered.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the HM Treasury Group has transferred substantially all the risks and rewards of ownership.

11. Equity investments

Significant judgements and estimates

Under IFRS 9 *Financial Instruments,* strategic investments in equity instruments which are not held for trading can be classified as held at Fair Value through Other Comprehensive Income (FVOCI) and all changes in fair value are taken to the Fair Value Reserve.[88] All equity investments held by HM Treasury Core and Agencies are classified in this category as these are held for the long term benefit of their operational activity to HM Treasury group's aims and objectives and therefore changes in the fair value of these entities are not a measure of the entities contribution to the performance of the department.[89]

The adjusted net asset value method has been used to measure fair value in the valuation of HM Treasury's unlisted equity investments. The fair value of the individual assets and liabilities recognised in each investee's statement of financial position, adjusted where relevant for assets and liabilities whose carrying value differs from fair value and for the fair value of any unrecognised assets and liabilities at the measurement date, represent the fair value of the investee's equity.

The Articles of Agreement of the European Bank for Reconstruction and Development (EBRD) specifies that the net asset value is the value that HM Treasury would receive on the dissolution of the EBRD, though if HM Treasury were to unilaterally exit its involvement in the bank, this would be capped at the original purchase price of the UK's shareholding. HM Treasury considers that in absence of a principal market, the net asset value provides the best information on the performance of the asset and value to the department.

During 2024-25, HM Treasury's shareholding in NatWest fell from 29.3% to 3.6%. IAS 28 *Investments in Associates and Joint Ventures* could be applied when holdings fall between 20-25%. HM Treasury has judged that the investment should continue to be reported under the requirement of IFRS 9 *Financial Instruments*. This judgment reflects that the shareholding is managed at an arm's length basis without exerting operational influence, as it has done throughout the lifetime of the holdings.
The treatment is compliant with IFRS as adapted by the Government Financial Reporting Manual (FReM) and HM Treasury's bespoke accounts direction (See **Note 1.3 – Basis for Consolidation**).

88 See Statement of Changes in Taxpayers' Equity (SoCTE).
89 With the exception of £6m of public dividend capital held in the Royal Mint Trading Fund at historical cost, in line with the Government Financial Reporting Manual (FReM)

Non-strategic portfolio equity investments, and rights to the residual net assets on wind up of entities with a limited life, are investments held for their return-generating potential. These have been classified to the held at Fair Value Through Profit and Loss (FVTPL) category. This means fair value movements go through profit and loss. See **Note 14 – Revaluation of financial assets and liabilities in the SoCNE**. The Group Portfolio investments arising from the activities of Pool Re and the National Wealth Fund (NWF) are classified in this category.

NWF's equity and equity-like investments may result in gaining significant influence or joint control over the investee. Significant influence relates to the NWF's ability to participate in the financial and operating policy decisions of the investee's business.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing the control.

In assessing whether or not significant influence or joint control exists, NWF considers the combined rights attached to the investment. Where rights are protective in nature, these do not meet the criteria for joint control over an investment. Board representation, specific consent or veto rights over relevant activities of the investee, combined with the NWF's status as a cornerstone or a lead investor, are often indicative of significant influence even when NWF does not hold a minimum 20% of voting interest in the investee.

Each investment is considered individually to determine whether the Company is deemed to have significant influence over the investee. The NWF has elected to take the permitted scope exemption under IAS 28 *Investments in Associates and Joint Ventures* available for venture capital organisations and similar entities which allows for the investments in the associates and joint ventures to be measured at fair value through profit or loss in accordance with IFRS 9, instead of using the equity method of accounting.

The principal activities of NWF are aligned with the characteristics of venture capital organisations or similar entities, for instance the NWF provides equity finance to unquoted companies and makes its returns mainly through medium term capital gain. These activities might include startup and other early-stage expansion, management buy-out or management buy-in investment which includes an 'equity type' return.

Group

	Core Department and Agencies									*Reconciliation Core Department and Agencies to Departmental Group*		
	Listed entities	Unlisted investments				Group entities						
In £m	NatWest ordinary shares	Bank of England share capital (Restated)	Asian Infrastructure Investment Bank (AIIB)	European Bank for Reconstruction and Development (EBRD)	Other shareholdings	UK Asset Resolution Ltd (UKAR)	National Wealth Fund Ltd (NWF)	Reclaim Fund Ltd (RFL)	Total Core Department and Agencies	Remove: Intra-group eliminations	Add: Group portfolio investments	Total Departmental Group
At 1 April 2023	10,500	3,165	518	1,458	12	344	586	467	**17,050**	(1,397)	1,201	**16,854**
Additions, disposals & transfers	(3,484)	–	–	–	–	–	490	–	**(2,994)**	(490)	552	**(2,932)**
Fair value adjustments	(228)	82	16	210	–	(56)	(22)	87	**89**	(9)	110	**190**
At 31 March 2024	**6,788**	**3,247**	**534**	**1,668**	**12**	**288**	**1,054**	**554**	**14,145**	**(1,896)**	**1,863**	**14,112**
Additions, disposals & transfers	(8,156)	–	–	–	–	–	220	–	**(7,936)**	(220)	380	**(7,776)**
Fair value adjustments	2,685	395	16	144	–	7	(86)	15	**3,176**	64	42	**3,282**
At 31 March 2025	**1,317**	**3,642**	**550**	**1,812**	**12**	**295**	**1,188**	**569**	**9,385**	**(2,052)**	**2,285**	**9,618**

All equity investments are classed as non-current.

HM Treasury purchased shares in **NatWest** as part of the financial stability interventions made during the global financial crisis in 2008 and 2009. The shares in NatWest were not purchased for commercial reasons. The purchase of the shares and the resulting injection of capital were necessary to ensure the financial survival of the entity and to avoid a collapse of the UK banking sector. HM Treasury has been reducing the shareholdings in NatWest in line with a trading plan.

A trading plan involves selling shares in the market through an appointed broker, in an orderly way at market prices over the duration of the plan. UKGI, under the UKGI Framework Agreement, was responsible for the development and execution of an investment strategy for disposing of the investment in the NatWest Group, within the context of protecting and creating value for the taxpayer. The final shares were sold through the trading plan on 30 May 2025 for details of related events after the end of the reporting period, see **Note 28 – Events after the reporting period**.

As a result of sales made during the financial year, the shareholding of HM Treasury has reduced from 29.3% of the ordinary share capital (2,556m shares) of NatWest Group at 31 March 2024, to approximately 3.6% of the ordinary share capital (291m shares) at 31 March 2025.

The £4.0bn cumulative lifetime loss on disposal of these shares has been released from the fair value reserve to the General Fund (see Statement of Changes in Taxpayers' Equity).

The fair value in the remaining NatWest shareholding has increased due to favourable market moves, which saw the closing share price (which reflects the most recent trade at market close) increase from 265.5p on 31 March 2024 to 451.8p on 31 March 2025.

HM Treasury, alongside other shareholders, have subscribed for additional 'paid in capital' in the **European Bank for Reconstruction and Development (EBRD)** to be paid in five annual instalments until 2029. See **Note 22 – Commitments**. The investment is designed to improve the EBRD's financial capacity in order to increase lending to support Ukraine's resilience and reconstruction while maintaining activity in all its countries of operation.

Group portfolio investments contain the portfolios of equity investment holdings held by Pool Re and the National Wealth Fund and are measured at fair value through profit or loss (FVTPL). Most of the Pool Re's equity portfolio is public traded shares, plus mutual funds and venture capital, and the National Wealth Fund's portfolio consists of investments in limited life funds, direct equity investments and convertible debt instruments.

See **Note 4 – Finance income and expenses** for dividends generated by equity investments.

Group shareholdings

In accordance with the FReM, additional details of significant shareholdings are shown below:

In £m	2024-25 Stake %	2024-25 Total net assets	2024-25 Entity's reported profit/(loss)	2023-24 Stake %	2023-24 Total net assets	2023-24 Entity's reported profit/(loss)
Bank of England	100	5,604	105	100	5,408	33

The reported profit/(loss) and net assets is disclosed for the Bank of England's reporting period to the end of February.

Financial risks from equity investments

Departmental Group

Group portfolio investments primarily relate to:

- Pool Re's equity portfolio of public traded shares, plus mutual funds and venture capital.
- National Wealth Fund's portfolio of investments in limited life funds, direct equity investments and convertible debt instruments.

Each of these entities invest in a variety of financial assets. Financial risk is managed at a portfolio level giving consideration to financial assets and liabilities held as outlined in **Note 17 – Financial and Insurance Risk** and **Note 18 – Group financial instruments – fair value**.

Financial risks held by HM Treasury core department which impact the group risk position are discussed below.

Core Department and Agencies

Market Risk – Price Risk

Price risk relates to potential decline in the value of HM Treasury's shareholding in listed entities, which consists only of shares in the NatWest Group.

The fair value of the UK listed shares fluctuate due to changes in market prices. Market prices for a particular share may fluctuate due to factors specific to the individual share or its issuer, or wider factors affecting all shares traded in the market.

For demonstration purposes, we consider a 10% and a 25% increase/decrease in the market price of the NatWest Group share investment as reasonably possible changes due to market risk. The below analysis shows the impact on reserves of these movements. There is no impact on net operating income arising from a change in market prices.

In £m	Reserves 2024-25	Reserves 2023-24
Increase +10%	132	679
Increase +25%	329	1,697
Decrease -10%	(132)	(679)
Decrease -25%	(329)	(1,697)
Investment in NatWest Group	**1,316**	**6.788**

Market Risk – Currency Risk

Valuations of Asian Infrastructure Investment Bank (AIIB) and European Bank for Reconstruction and Development (EBRD) are denominated in foreign currency (USD & EUR respectively) so are subject to currency risk. However, no asset sales, which would lead to the realisation of the fair value, or dividends are anticipated. HM Treasury also hold commitments which could lead to further investment in the EBRD and AIIB – disclosed in **Note 22 Commitments** and Remote Contingent Liabilities on page 120 –to which currency risk would apply.

12. Loans and investment securities

Significant judgements and estimates

HM Treasury has entered an agreement to provide £2.258bn to Ukraine under the Extraordinary Revenue Acceleration (ERA) initiative. The agreement has been accepted into the European Union's Ukraine Loan Cooperation Mechanism (ULCM). As of 31st March 2025, £753m of cash had been advanced to Ukraine under this agreement. At 31st March 2025, a further £1,505m is due to be drawn in equal payments in April 2025 and April 2026, subject to qualifying conditions being met. This criteria was met in April 2025 – see Note 28 – Events after the reporting period.

To the extent that such funds are generated, HM Treasury is entitled to receive a share of profits generated from the reinvestment of cash arising from Russian Sovereign assets held by Central Security Depositories in the EU (primarily Euroclear), and any reparation payments received by Ukraine. The extent to which the loan advanced in year, and future loans, are repaid to HM Treasury will be dependent on:

- The performance of assets in which cash from Russian Sovereign assets are invested;
- The duration of the legislation allowing cash from Russian Sovereign assets to be invested; and
- The outcome of the war, including its timing and the terms and conditions agreed regarding Russian Sovereign assets and the level of reparation payments.

HM Treasury has made the judgement that the cashflow entitlements are not solely payments of principal and interest, and so the loan shall be held at fair value through profit and loss, consistent with IFRS definitions. The terms of the loans are considered to be below market rate, and so the fair value of future loan commitments require recognition in the Statement of Financial Position (SoFP).

HM Treasury is required to determine the fair value for the loan and future loan commitments at initial recognition and as at the reporting date. A fair value is determined by applying assumptions that would be adopted by market participants to determine a set of future income receipts, which are then discounted using discount rates set out in the FReM. Assumptions regarding whether future loans will be drawn is also required for loan commitments.

The events which will impact risk-adjusted expected future cashflows and loan draw down are highly uncertain and have a significant risk of resulting in a material adjustment to the carrying amounts of any loan asset or loan commitment liability within the next financial year.

For the purposes of valuation, HM Treasury has adopted a set of assumptions that a hypothetical market participant might reasonably make in the current circumstances. These assumptions do not represent the position of the UK Government on the renewal of EU sanctions or anticipated outcomes regarding the war or related sanctions. Rather, they reflect HM Treasury's assessment that the level of uncertainty beyond the short term is so significant that a market participant would be unlikely to ascribe value to longer-term cashflows. In determining the assumed timing for the resolution of the war and associated sanctions, HM Treasury has relied on publicly available assessments, for example that produced by IMF, which presents a 'base case scenario' assuming resolution of the conflict by the end of 2025.

No 'market' currently exists for such assets; one would only arise if the UK or other participants in the ULCM began to trade these or similar loans. Therefore, it is assumed that a theoretical market participant would apply an income approach to fair value measurement. The market approach is not applicable due to the absence of comparable market data, and the cost approach is not appropriate given the nature of the asset as a non-recourse loan. Other government debt instruments, such as gilts and bonds, are not comparable due to their different terms and direct recourse to the issuing government.

Sensitivity analysis relating to these assumptions can be found in the Financial Risks from Loans and Investment Securities section below.

The above assumptions lead to a fair value for the advanced loan that is significantly lower than the transaction price (cash advanced). HM Treasury consider this difference to be a government grant and in line with the FReM interpretation is recognised in the Statement of Comprehensive Net Expenditure (SoCNE) immediately. This can be seen in Note 6. Operating Costs.

The fair value upon entering the commitment to advance future loans is reflected in the SoFP as a liability at year end and associated expense is reflected in Note 6: Operating Costs. In line with the above assumptions, the liability and expense represent the expected loss on the April 2025 and April 2026 commitment.

12.1 Group Loans and investment securities

	Core Department and Agencies			*Reconciliation Core Department and Agencies to Departmental Group*		Departmental Group				
In £m	Loans held at amortised cost	ERA loan held at FVTPL	Total Core Department and Agencies	*Remove: Intragroup Eliminations*	*Add: Loans held at amortised cost by consolidated entities*	Loans held at amortised cost	ERA loan held at FVTPL	Fixed income investment securities held at amortised cost	Fixed income investment securities held at FVTPL	Total Departmental Group
At 1 April 2023	64	–	**64**	(50)	291	305	–	446	5,613	**6,364**
Advances and purchases	478	–	**478**	(478)	422	422	–	2	5,060	**5,484**
Redemptions, repayments & transfers	(387)	–	**(387)**	387	(107)	(107)	–	(120)	(5,144)	**(5,371)**
Revaluations	–	–	**–**	–	(13)	(13)	–	–	16	**3**
At 31 March 2024	**155**	**–**	**155**	**(141)**	**593**	**607**	**–**	**328**	**5,545**	**6,480**
Advances and purchases	1,072	297	**1,369**	(1,072)	899	899	297	240	6,626	**8,062**
Redemptions, repayments & transfers	(230)	–	**(230)**	230	(9)	(9)	–	(104)	(6,730)	**(6,843)**
Revaluations	–	–	**–**	–	(32)	(32)	–	–	(29)	**(61)**
At 31 March 2025	**997**	**297**	**1,294**	**(983)**	**1,451**	**1,465**	**297**	**464**	**5,412**	**7,638**

For the Departmental Group: As of 31st March 2025, £1,128m (2023-24 (Restated): £1,480m) of loans and investment securities are classed as expected to be received within 1 year. £6,510m (2023-24 (Restated): £5,000m) are expected to be received in greater than 1 year.

For the Core Department and Agencies: As of 31st March 2025, £707m (2023-24: £131m) of loans and investment securities are classed as expected to be received within 1 year. £586 (2023-24: £24m) are expected to be received in greater than 1 year.

Of the loan assets held at amortised cost by the core department, £983m (2023-24: £141m) relate to intercompany loans made to the National Wealth Fund (NWF), which eliminate at group level. All the drawdowns and repayments during the year relate to these loans.

NWF in turn holds loans, recognised at amortised cost, and FVTPL, helping deliver the government's growth and clean energy missions, generating a return for the taxpayer and crowding in private capital. During the year, NWF invested £899m of loans across the private and public sector (2023-24: £422m).

Fixed income investment securities held at amortised cost are held by Reclaim Fund Ltd as part of the ongoing investment strategy. A highly liquid, secure position is maintained, with maturing bonds and coupons generated from the portfolio being re-invested.

Fixed income investment securities held at fair value through profit and loss (FVTPL) are held by Pool Re as part of its ongoing investment strategy. The majority of the holdings are government and corporate bonds. The financial risks associated with these assets and management of them is outlined in Note 17.3 Financial and Insurance risk: group.

Financial Risks from Loans and investment securities

Departmental Group

Exposure to financial risk is managed across each of NWF, Reclaim Fund Ltd and Pool Re's portfolio of financial assets and liabilities, as outlined in **Note 17 – Financial and Insurance Risk, Note 18 – Group financial instruments – fair value.**

Core Department and Agencies

HM Treasury's loan to the National Wealth Fund exposes the core department to the underlying financial risks associated with NWFs activities.

HM Treasury's Loan under the Extraordinary Revenue Acceleration (ERA) initiative to Ukraine exposes HM Treasury to a number of risks, including market risk. The significant judgements made in reaching a valuation of the loan asset and associated loan commitment liability are discussed in the significant judgements and estimates section above. The impact of the following assumptions are discussed below.

Assumption	Degree of uncertainty	Sensitivity of output to change in input
EU Sanction End Date	High	High
Market Risk – Rate of Return	Medium	High
Reparation Payments	High	High

EU Sanction End Dates

The total undiscounted value outstanding on the loans advanced and associated accrued interest to date, currently due to HM Treasury at year end was £756m.

The undiscounted value of cash still to be advanced at year end for the loan commitment is £1,505m.

The fair value of the loan asset and loan commitment liability are considered from a market participants perspective and are produced using a risk-weighted probability method applied to expected cashflows. Probabilities have been assigned to:

- the present value of cash inflows that HM Treasury expects to receive based on current modelled profit expectations at a number of different EU sanction receipt dates; and
- the present value of cash expected to be paid in respect of year end loan commitments.

There remains a high level of uncertainty in the assigned risk-weighted probabilities, and the valuation of the loan asset and liability are highly sensitive to changes in these.

The table below shows the present value of cumulative expected cashflows, assuming that between now and the date shown, current EU sanctions continue, all loans are advanced and no other status changes occur.

Based on current predicted returns on immobilised Russian Sovereign assets, if no further loan commitments are paid out, HM Treasury may reasonably expect full repayment of the £753m advanced in year and the £753m in April 2025 within approximately eight years. If the third loan tranche is provided to Ukraine, based on current predicted returns, HM Treasury may reasonably expect full repayment within approximately twelve years.

	EU Sanctions not renewed in:					
£m	**July 2025**	**January 2026**	**January 2027**	**January 2031**	**January 2036**	**January 2041**
Cash inflow	91	162	306	1,019	1,975	2,216
Cash outflow	(753)	(753)	(1,488)	(1,488)	(1,488)	(1,488)

1. Loan Commitments are assumed to not be advanced if EU sanctions discontinue before drawdown, but it is possible that a decision could be made to advance the loan in this scenario.

2. The timing and value of actual cashflows received by HM Treasury may differ from the above due to rate of return, see market risk discussion below, and the interest rate assigned to the loan to be advanced in April 2026, currently modelled at 6%.

3. The mismatch in the cumulative values is due to the fact that the first tranche of cash outflow occurred in March 2025. As a result, this tranche is not affected by any future dates for the renewal of EU sanctions.

Market Risk

The timing and amount of interest and principal repayments will depend on the return generated on immobilised Russian Sovereign assets. This would impact the present value of the cash inflows to which the risk-weighted average probability method is applied. Modelling an expected return rate that was 1 basis point lower, would change the value of the loan asset recognised at 31st March 2025 to £190m (a decrease of £107m).

Reparation payments

The agreement of reparation payments could lead to a range of possible future income amounts, including full repayment of the accrued interest and the cash value advanced as a loan. HM Treasury would be entitled to reparation payments from the point they are provided to Ukraine.

Accounting Policy: Financial Instruments: financial liabilities

Initial recognition, measurement and classification

Financial liabilities are initially recognised, at fair value, on the date on which HM Treasury becomes party to the contractual provisions of the instrument.

Financial liabilities are classified on initial recognition as either at FVTPL, or financial liabilities measured at amortised cost:

Financial liabilities at FVTPL	Financial liabilities at FVTPL are liabilities that are: – derivatives, which are always required to be measured on this basis – those held for trading because the investment strategy involves managing and evaluating performance on a fair value basis – those designated as at FVTPL because it would reduce a measurement inconsistency from measuring related assets and liabilities on different bases, including loan commitments related to the ERA loan.
Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost include non-derivative financial liabilities with fixed or determinable payments intended to be held to maturity, trade and other payables, borrowings and bank overdrafts

Loan commitment recognition

Where commitments are made to provide loans at below market rates, the fair value of the commitment is recognised on the Statement of Financial Position when the agreement is entered into. These fair values are disclosed in **Note 12.2 – Below market rate commitments**. These commitments can be subsequently measured at the higher of expected credit loss and the amounts initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15, or designated as Fair Value Through Profit and Loss (FVTPL).

Under IFRS 9 *Financial Instruments* an impairment provision for expected credit losses is required to be held against all other undrawn loan commitments. The impairment provision for each loan considers the expected drawdown on the loan commitment. The impairment provision is reflected in the statement of financial position as a liability and included in **Note 9 – Trade and Other Payables**.

Loan commitments are also reported in **Note 22 – Commitments**. The value of the cash promised to be available for draw down when called (i.e. without adjustment for any on-balance sheet amounts) is disclosed within this note.

Subsequent Measurement

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate (EIR) method or at FVTPL.

Derivatives are measured initially at fair value and subsequently re-measured to reflect changes in fair value. Fair values are obtained from quoted market bid prices in active markets and, where these are not available, from other valuation techniques including discounted cash flow models. See also **Note 18 – Group financial instruments – fair value**.

Derecognition

Financial liabilities are derecognised if the HM Treasury Group's obligations specified in the contract expire, are discharged or cancelled.

12.2 Below market rate loan commitments

In £m	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
ERA loan commitments	1,278	1,278	–	–
Total	**1,278**	**1,278**	**–**	**–**
Current	753	753	–	–
Non-current	525	525	–	–

13. Derivatives

In £m	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
Balance at 1 April	(173,389)	(173,404)	(177,632)	(177,587)
Cash movements	36,323	36,271	44,549	44,395
Fair value gain/(loss) (Note 14)	(34,842)	(34,699)	(40,306)	(40,212)
Balance at 31 March	**(171,908)**	**(171,832)**	**(173,389)**	**(173,404)**
Current derivative financial assets	–	98	–	10
Current derivative financial liabilities	(171,908)	(171,930)	(173,389)	(173,414)

£171.9bn (2023-24: £173.4bn) is attributable to the Bank of England Asset Purchase Facility Fund Ltd (BEAPFF) derivative liability. Pool Re holds derivative assets of £98m (2023-24: £10m) and £22m of derivative liabilities (2023-24: £25m).

The BEAPFF is a wholly owned subsidiary of the Bank of England that was set up to implement quantitative easing in the UK at the direction of the Bank's Monetary Policy Committee (MPC) under its statutory responsibilities. The BEAPFF purchased UK government gilts and corporate bonds from the secondary market. This was financed by the creation of central bank reserves which were loaned from the Bank of England to the BEAPFF – with a maximum authorised size as of 31 March 2025 of £655bn. The Bank is currently unwinding the BEAPFF, reducing the assets and liabilities held in the fund, through a programme of gilt sales. As assets held in the APF mature, or are sold back to the market, the proceeds are used to repay the Bank of England loan originally used to purchase those assets. Further information can be found in BEAPFF's Annual Report and Accounts and the Asset Purchase Facility Quarterly Reports.

HM Treasury provides an indemnity to the Bank of England for any losses and entitles HM Treasury to any profits, which arise from operating the BEAPFF.

The indemnity is a derivative, and it is valued based on the difference between the fair value of the BEAPFF's assets and liabilities (excluding the indemnity itself) at 31 March prices. This represents the theoretical amount due from HM Treasury to the BEAPFF at 31 March if all assets were sold at current prices on that date and the current unrealised losses based on market valuations were therefore crystallised, resulting in an immediate shortfall of cash that would be paid from HM Treasury to BEAPFF to settle the Bank of England loan.

The derivative value is impacted by:

Fair Value movements in underlying assets and liabilities – during the year there was a downwards fair value adjustment of £34.8bn (2023-24: downwards £40.3bn) arising from changes in the fair value of underlying assets and liabilities.

The underlying assets, other than the derivative itself, mainly comprise the portfolio of gilts held by the BEAPFF and are valued at market rates. The fair value adjustment is mainly driven by the decrease in the market value of the gilt holdings held within the BEAPFF.

The fair value of assets is derived from quoted prices from commercial providers, the market value of the gilt portfolio held by BEAPFF at 31 March 2025 was £450bn. A 5 percent increase in the quoted price would lead to a 5 percent (£22bn) increase in the fair value of the portfolio. The exposure to market risk associated with this derivative is discussed below.

The company's liabilities mainly consist of the loan from the Bank of England. The outstanding loan totalled £655bn at 31 March 2025 (2023-24 £744bn).

Interest rate differentials between the yields on the asset holdings and the loan from the Bank of England at Bank Rate also contributed to the fair value adjustment.

Cash transfers – The indemnity agreement between HM Treasury and the Bank of England requires any excess funds held by the APF, to be transferred to HM Treasury, and for HM Treasury to transfer funds to the APF when it expects a cash shortfall. As the BEAPFF portfolio continues to unwind, the quarterly cash transfers, which had historically been from the BEAPFF to HM Treasury, now flow from HM Treasury to the BEAPFF. This is when it needs cash to repay its loan from the Bank of England that financed the underlying assets that have been disposed of. This was expected as quantitative easing was unwound, and gilts were sold back into the market.

In £ bn	Cash transfers
Lifetime cash transfers from BEAPFF to HMT 1 April 2023	118.8
Cash transfers from HMT to BEAPFF 2023-24	(44.5)
Lifetime cash transfers from BEAPFF to HMT 31 March 2024	74.3
Cash transfers from HMT to BEAPFF 2024-25	(36.3)
Lifetime cash transfers from BEAPFF to HMT 31 March 2025	**38.0**

Cash transfers to HM Treasury received in previous years were paid from interest payments on purchased gilts, net of interest and other costs.

The quarterly cash transfers to the BEAPFF, and any residual settlement of the derivative, are accounted for via HM Treasury's Supply Estimate and are recorded as Capital Annually Managed Expenditure (C-AME).

Ultimate cost

The total ultimate cost of the scheme falling to HM Treasury based on market prices at 31 March 2025 is £134bn (2023-24: £99bn). This represents the difference in the value of the liability of the BEAPFF derivative for HM Treasury and net cash transfers to HM Treasury over its life. The actual cost of the scheme to HM Treasury will only be known once the BEAPFF has sold all of its assets, the related market gains and losses have crystallised and the Bank loan has been repaid. The amount due to or from HM Treasury under the indemnity however does not indicate whether the public sector as a whole made a profit or loss from the operations of the BEAPFF.

Financial Risks from derivatives

Departmental Group

Financial risks associated with Group derivatives arise primarily on BEAPFF derivate held by HM Treasury core department discussed below. Pool Re's financial risks are managed over its portfolio of financial assets and liabilities, more information can be found in **Note 17 – Financial and insurance risk**.

Core department and agencies

The core department considers the following financial risks arising from the BEAPFF derivative:

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices. It is difficult to predict the movement in the BEAPFF derivative because the fair value of its financial assets are re-priced in response to market changes such as market gilt yields. During the year, the BEAPFF derivative experienced fair value losses of £34.8bn (2023-24: £40.3bn), with fair value movements driven by £19.3bn of losses during the year generated by the interest rate differential between the gilt assets and bank loan liability of the BEAPFF (2023-24: £23.0bn) and £15.5bn of market-value losses within its portfolio (2023-24: £17.2m).

Market risk is not managed to obtain a specific return from amounts invested or with a primary purpose of preserving asset value. The Bank of England manages risk associated with BEAPFF on HM Treasury's behalf. Subject to the policy objectives, the aim is to minimise overall risk through the appropriate choice of portfolio and risk management practices. A set of high-level financial risk parameters are in place for the Company's operations, including eligible asset classes, investment limits and interest rate risk. Whilst the Monetary Policy Committee (MPC) retains independence for setting monetary policy, HM Treasury can provide views to the MPC on the design of the schemes within the BEAPFF as they may affect the government's broader objectives.

The table below summarises the maximum authorised size of the BEAPFF at 31 March 2025.[90] The Chancellor and Governor agreed that the authorised maximum size of the APF would be reduced every 6 months in line with the reduction of assets. The size of the Bank of England loan to the BEAPFF will reduce gradually as the BEAPFF unwinds.

In £bn	31 March 2025	31 March 2024
Government bond purchases	654.5	750.3
Corporate bond purchases	–	0.6
Total quantitative easing package	**654.5**	**750.9**

Market risk associated with the BEAPFF derivative arises as a natural consequence of its policy objectives, principally through market changes re-pricing its assets. Interest rate risk is monitored in the form of a risk sensitivity measure, known as a delta. The delta is a change in valuation of BEAPFF underlying assets with a 50-basis point increase in market interest rates. The delta on 31 March 2025 was £15.8bn (2023-24: £20.6bn).

Risk is also monitored through value at risk, given the historic volatility on the returns of assets, and the correlation between their returns. Value at risk estimates the potential loss that might arise if existing positions were unchanged for 10 business days under normal market conditions. The value at risk at 31 March 2025 was £11.7bn (2023-24: £11.8bn), the decrease reflecting the reduced portfolio of underlying assets and reduced market volatility at the end of the reporting period.

90 In May 2025 the authorised size of the BEAPFF reduced to £619.7bn, entirely composed of government gilts. See also Note 28 – Events after the reporting period.

Credit risk

There is minimal credit risk arising on the indemnity itself because BEAPFF is wholly owned by the Bank of England and the value of the indemnity on wind up will be equal to the cash held in the company.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities as they fall due.

HM Treasury is required to make payments to the BEAPFF when the BEAPFF's short-term cash needs are greater than its cash reserves. This happens if losses arise from gilt sales and redemptions below the initial purchase price funded by the bank loan or the Bank Rate exceeds the coupon rate for the gilt holdings.[91]

Due to the magnitude of the financial stability interventions, liquidity requirements can fluctuate significantly. HM Treasury's liquidity management controls include monitoring cash flows to ensure that daily cash requirements are met. Assessing the net cash requirement on a regular basis and reporting this to Parliament through Estimates. HM Treasury is not exposed to significant liquidity risk because it can apply for Parliamentary approval for additional cover to pay for any liquidity gap.

14. Revaluation of financial assets and liabilities in the SoCNE

	2024-25		2023-24	
In £m	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Fair value (gain)/loss on derivatives	34,842	34,699	40,306	40,212
Fair value (gain)/loss on financial assets and liabilities held at fair value through profit or loss (FVTPL)	(420)	(436)	(289)	(425)
FX movements on financial instruments held at amortised cost	34	34	44	44
Total	**34,456**	**34,297**	**40,061**	**39,831**

For an explanation of the change in the **fair value on derivatives** refer to **Note 13 – Derivatives**.

The **fair value gain in financial assets held at FVTPL** primarily relates to elements of the EU Financial Settlement. See also **Note 15 – EU Financial Settlement, Note 7 – Trade and other receivables, Note 11 – Equity investments and Note 9 – Trade and other payables.**

91 As the interest falling due on the APF loan exceeds the interest earned from the coupon payments.

15. EU Financial Settlement

Accounting Policies

The accounting policies relating to Financial Instruments set out on pages 164 and 176 and Provisions set out on page 207 are applicable to the EU Financial Settlement transactions and balances.

Summary

The UK left the European Union (EU) on 31 January 2020 under terms defined by the Withdrawal Agreement. The Agreement includes a Financial Settlement and sets out the various rights and obligations of the UK and EU during the transition period and beyond. These include financial rights and obligations that fall to HM Treasury.

The core department is the counterparty to the Withdrawal Agreement and so balances and transactions relating to the EU Financial Settlement sit within the core department and group figures disclosed within the financial statements. This note to the accounts discusses the Withdrawal Agreement element of the following notes to the Financial Statements:

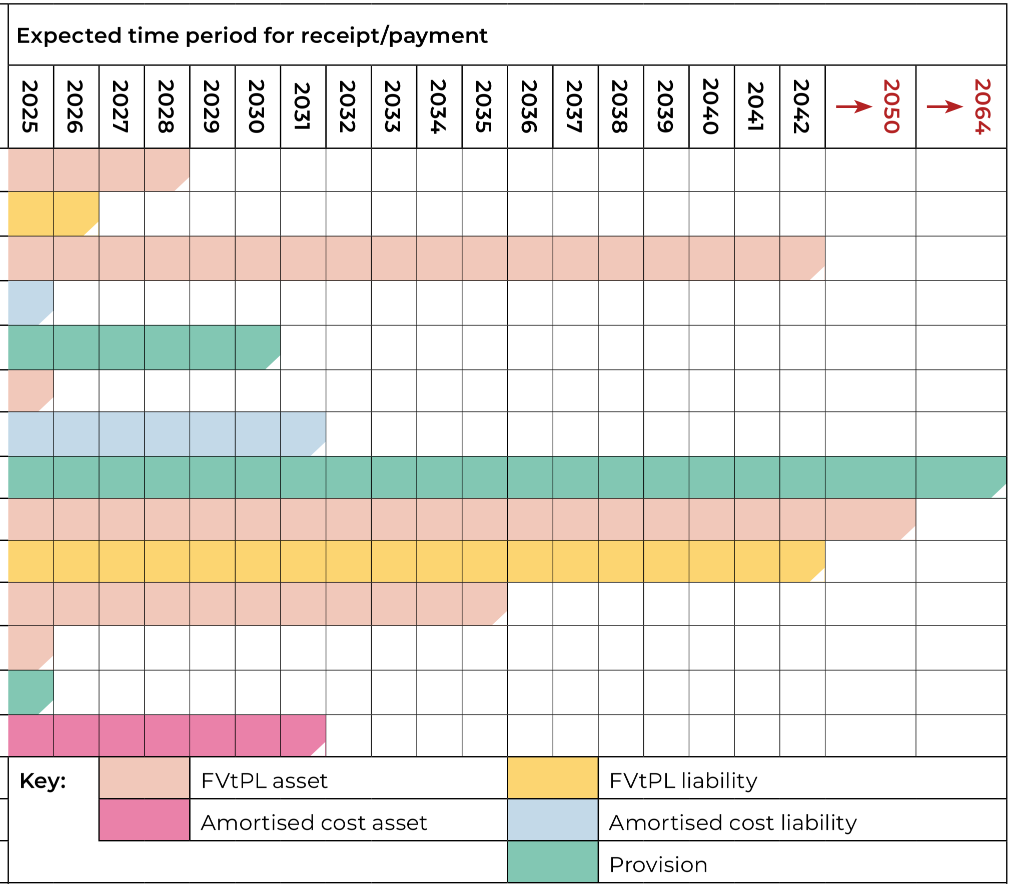
Note 7 – Trade and other receivables,
Note 9 – Trade and other payables,
Note 19 – Provisions,
Note 20 – Contingent Assets,
Note 21 – Contingent Liabilities and;

Remote contingent liabilities (unquantifiable and quantifiable) are discussed in the parliamentary accountability disclosures on page 118.

The tables and narrative below detail the financial rights and obligations that fall to HM Treasury and are contained in the notes referenced above. Details of expected timing of receipts and payments is provided to illustrate exposure to liquidity risk.

EU Financial Settlement – Summary

Article	Brief Description	SoFP Area	Gross discounted payments (£m) 2024-25	Gross discounted payments (£m) 2023-24
136	Own resources	Receivables	106	1,301
		Payables	(99)	(58)
140	Reste à Liquider	Receivables	123	127
		Payables	(379)	(1,072)
		Provision	(2,400)	(3,730)
141	Fine Revenue	Receivables	407	44
142	Pension Liabilities	Payables	(143)	(168)
		Provision	(7,043)	(6,731)
143	Loans	Receivables	657	772
		Payables	(2)	(3)
144	Financial Instruments	Receivables	304	343
145 & 146	Assets	Receivables	36	73
147	Legal Cases	Provision	(87)	(93)
150	European Investment Bank	Receivables	1,478	1,710
	SoFP Totals	**Receivables (Note 7)**	**3,111**	**4,370**
		Payables (Note 9)	**(623)**	**(1,301)**
		Provisions (Note 19)	**(9,530)**	**(10,544)**
		Total	**(7,042)**	**(7,485)**
Quantified Contingent assets and liabilities				
		Assets (141)	832	1,300
		Liabilities (136 & 147)	(71)	(91)
		Remote liabilities (150)	(31,075)	(31,552)



Article 136 – "Provisions applicable after 31 December 2020 in relation to own resources" known as 'Own Resources'

The UK remains party to corrections and adjustments to VAT and gross national income contributions which were historically included in the calculation of future years' EU budget contributions. These are now met through the Withdrawal Agreement. The fair value of the net asset arising from this element is £7m (2023-24 £1,301m).

Under the Withdrawal Agreement Act 2020, sums required to be paid to the EU to meet obligations in respect of Traditional Own Resources (TOR) are charged on and paid out of the Consolidated Fund.

Between June and September 2024, the financial settlement of the Withdrawal Agreement resulted in net cash flows from the EU to the UK rather than the usual payment to the EU. The Consolidated Fund does not have the legal basis to settle the TOR obligation for months where the liability is offset by funds flowing into the UK, therefore HM Treasury met the liability for these months. Accordingly, in the prior year HM Treasury held a £58m payable for payment of customs duties ('Traditional Own Resources') on imports from outside the EU before the end of the transition period.

When there is a net payment due to the EU, the equivalent TOR obligations for the period will always be met by the Consolidated Fund.

HM Treasury holds a contingent liability of £58m (2023-24: £76m) in respect of this. This represents the maximum exposure of future payments in respect of the TOR and can only crystallise if there are further net cash flows from the EU to the UK while the TOR is outstanding.

Article 140 – "Outstanding Commitments" known as the Reste à Liquider (RAL)

The UK remains responsible for its share of the EU Budget commitments made during the UK's participation in the EU Budget over the 2014-20 Multiannual Financial Framework (MFF) (ending December 2020).

The RAL represents EU budgetary commitments that have been made and are expected to result in payments by the EU in the future. Budgetary commitments that are subsequently decommitted, for example where the underlying programme does not go ahead, are removed from the RAL. The UK is only liable to pay a share of RAL at the end of 2020 to the extent it crystallises as payments by the EU.

Significant judgements and estimates

The obligation in respect of the RAL is estimated based on information in EU Budgets adopted on or before 31 March 2025 and associated budgetary implementation data provided to Member States and the UK. The post 2020 financing share is applied to commitments in EU Budgets up to 2020 and adjusted for forecast implementation.

Under the Withdrawal Agreement (Article 140) the UK is only liable for EU obligations that materialise under the RAL, i.e. the UK pays for the level of commitments actually spent by the EU. HM Treasury improves and adjusts it's decommitment adjustment to reflect new data provided to the UK on outturn levels of decommitments. The estimated level of decommitments (i.e. commitments that do not lead to payments) is based upon historical decommitment rates for the relevant programmes at the end of a MFF period, with an experience adjustment applied as new outturn data on the current framework period is received. This results in an assumed average rate of 10.3%, which is consistent with outturn over 2021-24. Alternative approaches are available. For example, the European Union publish their own expectations for decommitments for programmes under the previous MFF, and modelling based on these assumptions would result in an assumed annual rate of 16.2%. However, the levels of decommitments estimated are an area of forecast uncertainty, with limited data available for analysis. HM Treasury considers the historical decommitment rate-based approach to be the best available, as it overcomes issues in uncertainty in forecast methodology and further judgements, such as distribution of decommitments over future years. To provide further clarity for illustrative purposes, the outstanding value of Gross UK-specific RAL commitments at the end of 2024 is estimated at £3,019mn, of which HM Treasury estimates £241m will be decommitted. As mentioned above, the UK does not pay the 'Gross RAL' value to the EU as the amount paid is relative to the value of RAL less decommitments in arrears, based on the EU's actual spend. Further analysis on the sensitivity around decommitments is provided below.

The RAL liability represented most of the provisioned settlement.

Current forecasting estimates that the liability represented by the provision in the accounts will be fulfilled within eight years of the first payment. The payment obligations with the greatest amounts crystallised in the earliest years, with payments reducing sharply as time passes, with a provision of £2.4bn remaining at **31 March 2025** (2023-24: £3.7bn).

The sensitivity of the total EU related provision value to key assumptions which are relevant to all Articles are outlined on page 191.

Specific to RAL is the assumption relating to decommitments as set out above. The impact on the valuation of provisions from this assumption is:

Assumption	Change	Degree of Uncertainty	Sensitivity of output to change in input	Financial impact
Decommitments – the proportion of EU Budgetary commitments in the RAL that are not implemented	A decrease of 5 percentage points	High	Moderate	An increase of £84m

The UK's liability will be reduced by a number of items. For instance; the amount of net financial corrections; the proceeds of any Member State Making Available Resources infringements; and Traditional Own Resources adjustments. The fair value of the asset arising is estimated to be £123m (2023-24: £127m).

£379m (2023-24: £1.1bn) is payable from the UK to the EU. This represents the amounts payable from formal notification of the amounts due at 31 March and transferred from the provision for this article.

Article 141 – "Fines decided upon before or on 31 December 2020" known as 'Fines'

The UK is entitled to a share of EU fine income that relates to activity up to, and in exceptional cases after, 31 December 2020. This includes circumstances where collection of the fine income arises post UK exit. The fair value of the fine income asset is estimated to be £407m (2023-24: £44m). The increase is mainly driven by a large competition penalty becoming definitive during the year.

A contingent asset is disclosed in relation to the fine income where the likelihood of cash inflow is dependent on the EU successfully winning the case and this likelihood is assessed to be probable. Previous contingent assets under this article that are no longer the subject of ongoing litigation and are therefore no longer contingent appear in the fine income asset.

The estimated value of the contingent asset is based on fines issued by the EU, but not yet definitive and adjusted for fines expected to be issued relating to past performance. HM Treasury's current best estimate of the contingent asset related to fine income is £832m (2023-24: £1.3bn). The timing and amount of the contingent asset is sensitive to the final judgments on a small number of very large competition fines. The largest two cases make up 67% of the contingent asset.

Article 142 – "Union liabilities at the end of 2020" known as 'Pension Liabilities'

The UK will pay a share of the EU's payments for the employment and other related benefits accrued by EU employees up to the end of 2020. Specifically, these benefits are materially comprised of pensions schemes and the Joint Sickness Insurance Scheme (JSIS).

Significant judgements and estimates

The remaining UK obligation in respect of EU pensions is estimated based on full membership and salary data supplied by the EU to the UK as at 31 December 2022. Projected forward to the assumed date of scheme members' exit, applying the UK post 2020 financing share to the remaining end 2020 EU pension obligations, and discounted. Specifically, these benefits are materially comprised of pensions schemes for EU high-level public officials.

The obligation in respect of JSIS is an estimate based on the UK's post 2020 financing share of the employer contributions to JSIS made on payment of the pension, to the extent the pension was accrued prior to 31 December 2020. This obligation therefore follows the same profile as estimated for the EU pensions. The contribution rate applied to the pre-tax pension payments as at 31 March 2025 was 3.4% as set out by legislation.

The Withdrawal Agreement provides the UK with an option of early settlement on a different valuation basis. Management has valued the provision using the default calculation basis set out at the beginning of paragraph 6 of Article 142 of the Withdrawal Agreement. This assumes that HM Treasury will not invoke the early settlement option, as this is considered to be management's current best estimate of how this obligation will be settled.

The accounting valuations for the pension related liabilities are sensitive to actuarial assumptions (e.g. life expectancy, inflation, retirement age) for defined benefit pension obligations. Life expectancy is drawn from the most recent Eurostat mortality expectations for scheme members in 2023, adjusted for Office for National Statistics (ONS) changes to mortality data since then. The inflation assumption is based on central government rates set by HM Treasury and promulgated in Public Expenditure System papers. The retirement age assumption is drawn from the EU's 2024 assessment of the Pension Scheme for EU Officials (PSEO) population retirement ages.

Expenditure to settle in-year benefits is incurred by the EU and accordingly by all Member States as part of budget contributions. As the UK left the EU, the Withdrawal Agreement in effect created a liability for the UK. HM Treasury is required to make provisions for the future cash outflow. The provision value at **31st March 2025** was £7.0bn (2023-24: £6.7bn).

Inherently the pensions liability has a long-term cashflow profile as the liability is underpinned by the EU's cash requirements for EU staff pensions. We currently estimate that payments will last until 2064, with the vast majority being paid later than 5 years from the reporting date. The payment obligations will rise gradually year on year over the short and medium term as more scheme members retire but then begin to fall gradually over the remaining decades as they are linked to payments made to final beneficiaries.

The sensitivity of the total value of EU related provisions to key assumptions impacting all Articles for which there is an associated provision, are outlined on page 191.

Specific to Article 142 obligation are the assumption relating to life expectancy, salary changes and retirement age as set out above. The impact on the valuation of provisions from these assumptions are:

Assumption	Change	Degree of Uncertainty	Sensitivity of output to change in input	Financial impact
Salary changes – the assumption about salary changes used when calculating the provision in respect of the Pension Scheme for European Officials	Expected "salary increases" higher by 0.1 percentage point	Moderate	Moderate	An increase of £109m
Retirement age – the assumption about the retirement age used when calculating the provision in respect of the Pension Scheme for European Officials	1 year lower	Low	Low	A decrease of £67m
Life expectancy – the assumption about life expectancy used when calculating the provision in respect of the Pension Scheme for European Officials	1 year higher	Low	High	An increase of £205m

An increase in assumed salary increases results in individuals receiving larger pensions at the point of retirement for final salary schemes. The main component of the salary increase assumption is inflation, with a long-term rate of 2% used.

A decrease in retirement age results in individuals receiving pensions for a longer period, which in isolation would result in an increase to the liability. However, retiring earlier reduces the amount of accrual at the special rates available to those who remain working after pensionable age. This increases the reductions applied to the pensions of those who retire before pensionable age.

Overall, the effect of retiring earlier is to reduce the liability. The retirement age assumptions used are those used in the EU 2024 accounts (the earlier of the protected Normal Retirement Age (NRA) and the age at which they can retire with maximum pension).

An increase in life expectancy results in individuals receiving pensions for a longer period, resulting in an increase to the liability. The life expectancies are based on Eurostat assessments of the scheme, adjusted for mortality improvements. The life expectancies at the age of 65 in 2025 and 2040 are 23 and 24 years respectively for men, and 25 and 27 years respectively for women.

The liabilities arising from Article 142 also include £143m (2023-24: £168m) shown within EU financial settlement payables. These relates to Article 142 (5), the UK's share of liabilities for certain EU pension schemes as recognised by the EU as at 31 December 2020.

Article 143 – "Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate" and Article 144 – "Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 Multiannual Financial Framework (MFF) or under earlier financial perspectives" known as 'Loans' and 'Financial Instruments'

Under Article 143, the UK is entitled to receive a return of cash which the EU has used to support guarantees for loans and investments that were originally funded through the UK's former contributions as a Member State. Cash is returned when the guarantee is not called because the underlying loan or investment is repaid. Under Article 143, the UK is also liable for any cash required when guarantees are called and the funds held by the EU are not sufficient to cover these.

There are three separate elements across two distinct categories:

- Non-prefunded instruments, specifically loans to member states. As these are not prefunded, any under recovery results in a loss and cash outflow for the UK.
- Prefunded instruments, specifically European Fund for Strategic Investment (EFSI), which provides access to finance for small companies and other external lending to third countries. As these are prefunded with associated guarantee funds, they only result in net cash outflows where defaults in the underlying instruments, exceed the prefunded provisioning for the instrument and associated revenue inflows.

Where instruments are expected to result in net cash inflows, HM Treasury have recognised a receivable. Where net cash outflows are expected, we recognise a payable.

HM Treasury estimate the fair value of Article 143 instrument asset is £657m (2023-24: £772m).

In addition to the UK's entitlement to a share of receipts in relation to these instruments, the UK remains responsible for its share of the contingent financial liabilities made during the UK's membership of the EU. HM Treasury's best estimate of the forecast future cash outflows arising from these instruments is £2m (2023-24: £3m).

HM Treasury's estimate of the fair value of potential receipts under Article 144 is £304m (2023-24: £343m). Similar to Article 143, the UK is entitled to receive a return of cash provided to guarantee loans and investments. Where the guarantee is not called because the underlying loan or investment is repaid, HM Treasury will receive previously provided funding.

HM Treasury's best estimate of the forecast future cash flows arising from these instruments is based on financial modelling developed with the Government Actuary Department. This modelling considers a number of forecast activities in arriving at an overall value for each financial instrument.

Significant judgements and estimates

Articles 143 and 144 are accounted for as financial instruments under IFRS 9 *Financial Instruments* and measured at fair value. To measure the fair value of Article 143 and 144 instruments HM Treasury has made assumptions about the financial performance of the underlying instruments in order to forecast future cashflows. These are then discounted by applying the financial instrument rate set by HM Treasury, in accordance with the Government Financial Reporting Manual (FReM).

The level of granular data on the underlying EU operations (such as the ultimate counterparty, terms of the investments and credit risk) that is available either publicly or directly to HM Treasury under the terms of the Withdrawal Agreement is minimal, therefore HM Treasury make simplifying assumptions. This includes key assumptions in respect of the repayment profiles, risk of default, rate of recovery given default, as well as the revenue generated by the EU in relation to these underlying operations. Under Article 143, the final counterparties for these operations include both sovereign and corporate entities.

Sovereigns

For those operations with sovereign counterparties and those within the Guarantee Fund for External Actions (GFEA), the default and recovery assumptions are primarily sourced from published reports by credit rating agencies S&P and Moody's. HM Treasury's assumption is that the probability of default on a repayment is linked to the sovereign credit rating and that recovery amounts are in line with historical recoveries on sovereign defaults. The default probability by rating assumption uses estimated default rates in line with the Sovereign issuers, average 12-month rating migration rates in S&Ps Annual Global Sovereign Default and Rating Transition Study 2024. The default rates assumption uses the latest S&P credit ratings of countries as at March 2025.

The S&P data referred to above is backwards-looking and historic, and therefore do not consider market expectations around future defaults at the end of the reporting period. These backward-looking historical average probabilities of default are therefore adjusted for market conditions by comparing credit spreads at March 2025 to historical average credit spreads on suitable proxy indices for sovereign debt of a similar credit quality, with an experience adjustment applied to reflect historic defaults on the portfolio.

The recovery rates assumptions for sovereigns use estimated rates of recovery of 80% for countries currently rated B and higher. And an estimated rate of recovery of 50% for other countries, based on historic recovery rates on defaulted Sovereign bond issuers in the Moody's Sovereign Default and Recovery Rates 1983-2024 report and the rating at time of default.

No additional risk premium adjustment is made to the estimate of expected future cashflows as there is no principal market for these unique types of instruments.

Details on the sensitivity on movements in the default rates are presented below.

Corporates

In respect of the European Fund for Strategic Investments (under Article 143), the European Investment Bank collects revenue from the underlying operations. These are assigned back to the Guarantee Fund via the EU's budget, the model assumes that there will be sufficient revenues to cover expected losses.

The final counterparties for these operations are corporate entities. For corporates (in the absence of specific data) credit quality is assumed based on the type of finance and depending on the EU programme being modelled. Assumptions about the composition of the portfolios of corporates is based on the policy documentation produced by the EU for the associated programmes and information in the EU's accounts. These sources represent the most detailed (and in the case of the EU accounts, third party assured) information on these instruments that are available to Member States of the EU.

The provisioning rates used in the model are based on those communicated under the Withdrawal Agreement to HM Treasury in March 2025. The financial modelling has been cross checked against information reported to the UK under the terms of the Withdrawal Agreement.

Sensitivity analysis: EU Financial Settlement Payables and Receivables

The fair value of financial instruments recognised in HM Treasury accounts in respect of the EU Withdrawal Agreement are sensitive to certain key assumptions which include performance of the underlying financial operations (market risk), the sterling/euro exchange (currency risk) and the discount rate applied to future cash flows.

The table below sets out the sensitivity of the fair value to changes in these key assumptions. The provisioning rates used in the Articles 143 and 144 model are not included in the list of the key assumptions below as they are based on those communicated under the Withdrawal Agreement to HM Treasury in March 2025.

The sensitivity of the total EU related payables and receivables to key assumptions which impacting all Articles are outlined on page 191.

Specific to Article 143 and 144 obligation are the assumptions relating to market risks and EU budgetary risk. The impact on the valuation of EU Financial Statement Receivables and Payable from these assumptions are:

Assumption	Change	Degree of uncertainty	Sensitivity	Financial impacts on receivables	Financial impacts on payables
Market risk – the valuation of these instruments is sensitive to the credit risk of the underlying operations which affects their hypothetical market price	A significant and permanent increase in the probability of default (50% increase) and fall in the rate of recoveries (15% fall), representing a long-term deterioration in economic conditions	High	Medium	A decrease of £216m	An increase of £3m
Market risk – probability of default	A significant and permanent increase in the probability of default of 50%	High	Medium	A decrease of £64m	An increase of £1m
Market risk – rate of recoveries	A 15% fall in the rate of recoveries	High	Medium	A decrease of £114m	An increase of £1m
EU Budgetary risk – the valuation of Article 143 is sensitive to the revenue collected by the European Investment Bank (EIB) to fund the European Fund for Strategic Investments.	EIB collected revenue is halved	High	Medium	A decrease of £33m	No impact

The future cash flows arising from the Article 143 and 144 instruments are sensitive to the likelihood of default in the underlying operations (probability of default) and the extent to which defaulted payments can be subsequently recovered (the rate of recovery). The table above applies significant changes in both assumptions. The 50% increase in the probability of default is based on analysis of economic growth and insolvencies, where changes in insolvencies are taken as a broad proxy for changes in the probability of default. A 50% increase was taken as illustrative of a permanent 1% reduction in long-term trend economic growth. The 15% reduction in recovery rates is based on historical corporate recovery data and represents the upper end in the distribution of historic movements.

Article 145 "European Coal and Steel Community (ECSC)" and Article 146 "Union Investment in the European Investment Fund (EIF)" known as 'Assets'

The UK receives its share of the net assets of the ECSC in liquidation as at 31 December 2020. Alongside its share of the investment in paid-in capital of the EIF as at 31 December 2020. The valuation is based on amounts notified by the EU of the UK's share of the ECSC net assets and share of the EIF paid in capital. HM Treasury's estimate of the fair value of the receipts under Article 145 and 146 is £36m (2023-24: £73m).

Article 147 "Contingent liabilities related to legal cases" known as 'Legal Cases'

The UK will pay a share of costs incurred by the EU in relation to certain legal cases around the EU Budget and financial interests where the facts forming the subject matter of those cases occurred before 31 December 2020. A provision of £87m (2023-24: £93m) is recognised in this regard.

In addition to the provision above, the EU disclose contingent liabilities related to legal cases in the 2020 accounts. This includes cases where a reliable estimate cannot be made and instead the damages being sought are disclosed. If these contingent liabilities crystallised as obligations for the EU, which depends on future events, and were they to fall within the scope of this article they could give rise to a liability for HM Treasury in the future. The UK share of these disclosed items is estimated at £13m (2023-24: £15m).

Article 150 – EIB known as 'European Investment Bank'

Under Article 150 "Continued liability of the United Kingdom and reimbursement of the paid-in capital", the UK is entitled to receive an amount equal to the UK's share of the paid-in subscribed capital of the European Investment Bank (EIB). HM Treasury's estimate of the receipts under Article 150 is £1.5bn (2023-24: £1.7bn).

Financial Risk from EU Financial Settlement

Group

All financial risks relating to the EU Financial Settlement (EUFS) arises in the Core Department and are present also at Group Level.

HM Treasury Core Department and Agencies

The financial risks for the Core Department are set out below.

Market risk

The fair value of financial instruments recognised in respect of Articles 143 and 144 of the EU Withdrawal Agreement is sensitive to changes in the probability of default, and the rate of recoveries, of the underlying operations within the scope of the relevant EU financial instruments as outlined above. Such sensitivities would affect the price a hypothetical market participant would pay for such instruments, and as such create exposure to market risk. Sensitivities for market risk are set out on page 189.

The EU is responsible for managing the financial risks associated with their exposures arising from the underlying instruments. This includes lending and guarantees in regions with heightened geopolitical tensions, and which determine the UK's exposure to financial operations approved before the UK's withdrawal. The EU is required to manage such risks in accordance with the requirements of the "EU's Financial Regulation applicable to the general budget of the Union (2018)".

The fair value of financial instruments and the value of provisions relating to the EU Financial Settlement within the accounts are calculated based on discounting expected cashflows by discount rates which are set by HM Treasury, in accordance with the Financial Reporting Manual. Sensitivity to the discounts rates are shown below:

Assumption	Change	Degree of uncertainty	Sensitivity of output to change in input	Financial impacts on receivables £m	Financial impacts on payables £m	Financial impacts on provision £m
Discount rate – as applied to future cash flows to account for the time value of money	A decrease of 0.1 percentage point	High	Moderate	An increase of £8m	An increase of less than £1m	An increase of £111m

The interest rate intrinsic for EUFS financial instruments is judged to be zero and therefore the HM Treasury financial instrument rate of 2.15% is applied to future cash flows. Changes to this discount rate do not affect the amount the UK pays under the financial settlement, only the valuation of the financial instruments for financial reporting purposes. Excluding discounting would result in a financial asset of £3.3bn and financial liability of £0.6bn.

Provisions discount rates are based on the yields of gilts issued by the government; cash flows within 5 years (4.03%), between 6-10 years (4.07%), between 11-40 years (4.81%) and more than 40 years (4.55%). The 0.1% sensitivity decrease illustrated above is based on application to each of the spot rates set for different time horizons. Changes to this discount rate do not affect the amount the UK pays under the financial settlement, only the valuation of the liability for financial reporting purposes. Excluding discounting would result in a provision of £20.3bn.

Currency risk

Future cash flows arising from all financial instruments and provisions recognised are denominated in Euros. The sterling value of these instruments is sensitive to changes in the Sterling/Euro exchange rate. Cash outflows will be funded through Parliamentary Supply and inflows will be returned to the Exchequer.

Sensitivity to exchange rate changes are set out below:

Assumption	Change	Degree of uncertainty	Sensitivity of output to change in input	Financial impacts on receivables £m	Financial impacts on payables £m	Financial impacts on provision £m
Exchange rate – The Sterling/Euro exchange rate	Sterling appreciation of 1%	High	Moderate	A decrease of £31m	A decrease of £6m	A decrease of £95m

An appreciation of Sterling against the Euro results in the value of the EU financial settlement decreasing. A depreciation of Sterling has the opposite effect. This models a depreciation of 1% from the **31 March 2025** exchange rate (GBP 1: EUR 1.20). The exchange rate exposure is unhedged and payment obligations will be met through funds provided by Parliament, through the Supply process.

Liquidity risk and credit risk

The EU is the UK's (HM Treasury's) counterparty to the cash flows arising from all financial instruments recognised in respect of the EU Withdrawal Agreement, and is AAA rated. Liquidity and credit risks are immaterial. The timing of EU related provisions, liabilities and assets are set out in the summary table included on page 182.

16. Financial guarantees

Accounting Policy: Financial guarantees

HM Treasury and the National Wealth Fund (NWF) issue financial guarantee contracts to support significant infrastructure projects and individual homeowners.

Financial guarantee contracts (guarantees) require the issuer (HM Treasury or the NWF) to make specified payments to reimburse lenders in the event that beneficiaries (companies undertaking infrastructure projects or owners of mortgaged properties) fail to make payment when due.

Upon issue of a guarantee, a financial liability is recognised at fair value. HM Treasury and NWF guarantees are issued to unrelated parties in stand-alone arm's-length transactions, with the exception of the Sovereign Infrastructure Guarantee (SIG). So the fair value of the liability at inception is measured at the amount of up-front premium received, which in some cases is £nil. The initial guarantee liability is subsequently measured at the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*, unless this carrying amount is exceeded by total losses (see below).

Total losses on issued guarantees comprise the following (taking into account default events and claims on the guarantee that are possible either within the 12-month period after the reporting date or else within the expected lifetime of the guarantee, depending on whether or not there has been a significant increase in credit risk in the guarantee since initial recognition):

- the level of expected payments of future claims on guarantees issued to date; plus fees due in accordance with issued guarantees which are not expected to be received.

Where total losses are expected to exceed the value initially recognised for the guarantee liability (or, for guarantees where the value initially recognised is £nil and where total losses are expected to be material, or there are actual claims), a probability-weighted estimate of such losses is recognised as a loss allowance in expenditure and, as appropriate, a corresponding increase in the guarantee liability or reduction in the fee receivable.

Where premiums are due over the life of the guarantee (either in addition to or instead of up-front premiums), these are recognised progressively as fee receivables and corresponding fee income in a pattern which materially reflects the benefit of the beneficiary's continuing to enjoy credit as a consequence of that credit being under guarantee. This reflects the amount of credit risk to which the issuer is subject over time, as implied by the drawdown profile or outstanding loan balance on the guaranteed instrument. Depending on the fee terms and payment profile, this pattern may be approximated by recognition of income over the period of the guarantee on a cash basis, where this is not materially different from the pattern in which fees are earned.

In relation to the respective portfolios of guarantees held by HM Treasury and the NWF:

- Guarantees issued under the **UK Guarantees Scheme**[92] have been fully drawn down: all bonds which are subject to existing guarantees have been issued, and new guarantees are no longer being issued. The initial guarantee liability at fair value is measured at the amount of up-front arrangement fees, which represent the up-front premiums on the guarantees issued. Infrastructure project companies make regular payments as a fixed percentage of the outstanding loan balance. Fee receivables are progressively recognised as these fees are earned, and income correspondingly recognised to reflect the degree of credit risk held by HM Treasury at any particular time. For each of the remaining guarantees, total future expected claims exceed the initial guarantee liability, so the guarantee liabilities are subsequently measured at the value of the loss allowance.
- Guarantees continue to be issued under the **Mortgage Guarantee Scheme (MGS) 2021**. Lenders are invoiced for the full fee due upon HM Treasury's issuing each batch of guarantees. These charges represent the up-front premium on the guarantees issued, so the initial guarantee liability at fair value is measured at the fee charged. The guarantee liability is then reduced by the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers.* This fee income is recognised on a straight-line basis over the period of the guarantee (seven years). Total future expected claims are estimated to be immaterial and lower than the carrying value of MGS guarantee liabilities, so no loss allowance is recognised.
- **Guarantees issued by the NWF**[93] are subject to ongoing variable fees covering both undrawn commitments and drawn guarantees. Since no up-front premium is received, the initial guarantee liability measured at fair value is £nil – consequently, the guarantee liabilities are all subsequently measured at the value of the loss allowance representing total future expected claims. The fees received over the period of the guarantee vary in proportion to the amount of the guarantee facility drawn down by the beneficiary. Fee receivables and income are progressively recognised on a cash basis, since this is not materially different from the pattern in which fees are earned by the NWF's taking on the variable amount of credit risk over time.
- No fee is charged on the **Sovereign Infrastructure Guarantee** (SIG) issued by HM Treasury to the NWF. Total future claims under the SIG are expected to be immaterial, so no loss allowance is recognised and the value of the guarantee liability is £nil.

92 Issued by HM Treasury and managed by the NWF
93 Not including UK Guarantee Scheme contracts the NWF manages on behalf of HM Treasury.

Significant judgements and estimates

The allowance for expected credit losses (ECL) on guarantees is management's estimate of losses expected at the reporting date, based on a probability-weighted evaluation of a range of possible outcomes, from historic, current and forward-looking information. Where the ECL calculated on a guarantee liability is higher than the amount recorded, the guarantee liability is valued at the ECL.

	2024-25		2023-24	
In £m	**Core Department & Agencies**	**Departmental Group**	**Core Department & Agencies**	**Departmental Group**
UK guarantee scheme	102	102	137	137
Mortgage guarantee scheme	61	61	55	55
Guarantees issued by NWF	–	60	–	45
No interest loan scheme guarantees	1	1	–	–
Total	**164**	**224**	**192**	**237**
Current	14	10	19	19
Non-current	150	214	173	218

Details of HM Treasury's obligations relating to these financial guarantees are discussed below.

Financial Risk from Financial Guarantees

Departmental Group and Core Department and Agencies

Guarantees do not involve direct cash support, but they do expose HM Treasury Group to potential liabilities if the guarantees are called. As such HM Treasury Group are exposed to credit risk for guarantees provided to external counterparties by both the core department and the NWF.

Credit Risk

The credit risk of each guarantee and the consolidated entity who has issued the guarantee is outlined below:

Mortgage Guarantee Schemes (Core Department)

The mortgage guarantee scheme was launched in 2021 and closed to new applications in June 2025. The scheme has been designed to address the shortage of high loan-to-value mortgages, by offering lenders the option to purchase a guarantee on mortgages where a borrower had a deposit of between 5% and 20%.

Under the mortgage guarantee scheme, a portion of the maximum liability set out below would crystallise if the following events occurred: 1) a borrower defaults on their mortgage 2) the sale proceeds from property are less than the outstanding principal and interest repayments owing; and 3) the lender makes a claim to HM Treasury for the difference. Under the scheme rules the maximum liability limit is set at £3.2bn, the current exposure is shown in the table below. There have been no claims to date.

UK Guarantees Scheme (Core Department)

The UK Guarantees scheme, announced in 2012, is a scheme now closed to new entrants aimed at supporting infrastructure projects that may have stalled because of adverse credit conditions limiting the ability to raise finance in the financial markets. As at 31 March 2025, three projects were guaranteed (2023-24: three projects).

If a guaranteed obligor defaults under an obligation which is guaranteed, HM Treasury will have to pay in full, the guaranteed obligations including any unpaid interest (depending on the terms of the guaranteed obligation). As a secured guarantor, HM Treasury would try to recover as much as possible from the security and is legally entitled to recover as much as possible from the borrower. The NWF are responsible for monitoring the UK Guarantees Scheme portfolio and providing regular risk updates on projects to HM Treasury.

NWF Guarantees under Sovereign Infrastructure Guarantee (Core Department and National Wealth Fund)

The NWF is an arm's length body of HM Treasury. Under the framework agreement, NWF is authorised to provide guarantees to enable investment in infrastructure up to a total of £10 billion. As at 31 March 2025, six projects were guaranteed. (31 March 2024: one)

The Sovereign Infrastructure Guarantee (SIG) agreement was signed between NWF and HM Treasury on 2 February 2023. This agreement sets out the terms under which HM Treasury backs NWF's guarantees. The purpose of the agreement is to enable NWF to be provided a sovereign credit rating by rating agencies. No fees are charged to NWF for this guarantee.

HM Treasury core, under the SIG arrangement, is exposed to credit risk that NWF cannot fund. Any possible outflow is considered remote for HM Treasury core, given that NWF will manage its capital position through its economic capital framework with an appropriate buffer, as well as through the institution's wider liquidity and operational risk management. As per NWF's framework agreement, the default position is for NWF to meet any calls on its guarantees from its existing funded financial capacity. This liability eliminates at group level, as NWF is consolidated into the HM Treasury group.

Maximum exposure for financial guarantees is as follows:

		Maximum exposure £m[94]		
Project	**Description**	**March 2025**	**March 2024**	**Projected end date**
Mortgage guarantees	Guarantees eligible household mortgages.	1,149	949	Jun-2032
	Total for mortgage guarantee schemes	**1,149**	**949**	
Mersey Gateway	Guarantee that underpins the issuance of bonds to fund the construction of a bridge over the River Mersey. The guarantee was issued in April 2014.	266	266	Mar-2043
"Uliving@ Gloucestershire"	Guarantees debt issued to finance the construction of a student village at the University of Gloucestershire's Pittville Campus and the refurbishment of existing student facilities at the site. The guarantee was issued in January 2016.	39	40	Sep-2051

94 Maximum exposure is calculated at the principal amount of the borrowing guaranteed, plus one year's interest.

Project	Description	Maximum exposure £m[94] March 2025	March 2024	Projected end date
University of Northampton	Guarantee for public bonds and Local Authority loans raised to finance the construction of the University's campus at the Waterside site near Northampton town centre. The guarantee was issued in November 2014.	267	269	Mar-2056
	Total for UK Guarantees Scheme	**572**	**575**	
National Wealth Fund guarantees	Guarantees qualifying infrastructure projects that support its objectives of driving regional and local economic growth and tackling climate change. These guarantees are ultimately backed by HM Treasury through the SIG.	1,640	240	Sept-2046
	Total for NWF Guarantees with HM Treasury backing	**1,640**	**240**	
Other	HM Treasury has two further guarantees, providing indefinite support for a Royal Mint Financing Facility and a guarantee expiring in March 2026 for the No Interest Loans Scheme to Fair4All Finance.	37	39	Various
	Total for other guarantees	**37**	**39**	

17. Financial and insurance risk: management objectives, policies and sensitivity analysis

17.1 Introduction

HM Treasury's financial statements include multiple financial assets and liabilities. These financial assets and liabilities expose the HM Treasury Group to financial risks, which are: market risk, liquidity risk, insurance risk and credit risk. These risks are discussed below.

Credit risk is the risk that arises from the failure of a counterparty to perform its financial obligations, including a failure to perform those obligations in a timely manner.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Insurance risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim.

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities as they fall due.

The HM Treasury Board is responsible for the establishment and oversight of the HM Treasury Group's risk management programme. Risk management forms a core part of day-to-day operations for HM Treasury's policy teams, sub-committees and UK Government Investments Limited (UKGI) – which managed the government's investment in the NatWest Group. More information on how HM Treasury manages risk can be found in the Accountability Report on page 74.

17.2 Core Treasury and Agencies

Financial Risks

Risk disclosure relating to transactions within HM Treasury core department and agencies are included within relevant notes:

Note 11 – Equity Investments
Note 13 – Derivatives
Note 15 – EU Financial Settlement
Note 16 – Financial guarantees
Note 22 – Commitments

Insurance risk

Insurance risk is a pre-existing risk transferred from the policyholder to the insurer.

HM Treasury has a retrocession agreement in place with Pool Reinsurance Company Ltd (Pool Re), to provide funds if they didn't have sufficient funds to service an insurance claim. HM Treasury has not made any payments under the retrocession agreements to date.

The insurance risk associated with the retrocession agreements is considered very remote for three reasons: Firstly, Pool Re has not received a claim since 2017 and the claim was under £1m. Secondly, Pool Re has £7.3bn worth of funds, which are largely invested in high quality corporate and government bonds and a diversified portfolio of equities. Thirdly, Pool Re had a commercial retrocession agreement providing an additional £1.8bn worth of cover at the year end, which would be used before HM Treasury would provide any funds. Details of Pool Re's investments and commercial agreements can be found in the Insurance risk – Pool Re section of **Note 17.3** and in Pool Re's 2024-25 annual report.

Despite the risk being very remote, the retrocession agreement exposes HM Treasury to the possibility of funding very large losses incurred by Pool Re following a major terrorist event. While no payments have been required to date, rare but catastrophic scenarios, remain a real possibility. Such events have the potential to incur losses running into billions of pounds for Pool Re, which if they exceed Pool Re's available reserves, could lead to a multi-billion pound claim being made to HM Treasury. HM Treasury does not hold any investments to fund claims under the retrocession agreement and is funded for any potential payments through the Consolidated Fund via the Supply process as set out in the Reinsurance (Acts of Terrorism) Act 1993.

17.3 Group

This section focuses on the risks that are associated with Pool Re, NWF and the credit risk for the remainder of the HM Treasury Group, which are not covered in other notes to the accounts.

In addition to the below, the following note discusses risks arising from entities consolidated only at Group level: **Note 16 – Financial guarantees.**

Pool Re financial risks

Further information on the below financial risks of Pool Re are published in Pool Re's annual report.

Insurance risk – Pool Re

Under the Prudential Regulation Authority capital regime, Pool Re has a capital resource requirement set equal to zero, due to the existence of support from HM Treasury via the Retrocession Agreement, which guarantees the funding of losses from claims.

The group reduces its sensitivity to insurance risk arising from activities of Pool Re through the purchase of commercial retrocessional reinsurance, placed across two programmes.

The first is a three-year contract incepting 1 March 2022 covering terrorism losses triggered by damage. The cover is placed across four layers totalling £2,400m which trigger at £400m of losses.

Pool Re entered into a new three-year agreement which incepted on 1 March 2025. The cover is placed across two layers totalling £2,750m attaching at £1,000m.

Insurance risk sensitivity is also reduced using insurance linked security (ILS) bonds. On 8 March 2022, Pool Re placed a three-year (ILS) bond with a principal amount of £100m, issued through a special purpose vehicle (SPV), Baltic PCC Limited. The issue triggers at £725m of losses, recovering at a rate of 50p/£1 loss exceeding this amount, up to a maximum of £925m. The bond matured on 7 March 2025, with a new three-year ILS issuance undertaken on 1 April 2025.

Controls are in place to ensure, to the extent possible, that liquid funds are available to meet claims or a series of claims as and when necessary.

There have been no claim costs from 2019 through to 2025, and there were no claims outstanding at 31 March 2025. Due to the nature of the business, there is unlikely to be a significant delay between the occurrence of a claim and the claim being reported. Consideration is given at the end of the financial year on whether there is a need for a claims provision for the estimated cost of claims incurred (notified and not) which are not yet settled. Provisions are considered gross of any reinsurance recoveries, with a separate estimate for amounts that may be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Market risk – Pool Re

Equity price risk – Pool Re

Pool Re is exposed to equity price risk from changes in the value of its holdings in direct equity and equity derivative instruments.

To mitigate its exposure to the risk of changes in the prices of individual equities, Pool Re has a broadly diversified portfolio of global equities managed on a passive basis against well-established market indices.

The table below shows the profit/loss impact should equity market indices increase/decrease by 10%, with all other market variables held constant.

In £m	At 31 March 2025	At 31 March 2024
Notional exposure to equity markets	941	731
Sensitivity to 10% movement in value of equities	92	219
Total equity market exposure	**13.4%**	**10.7%**

Interest rate risk – Pool Re

Pool Re is exposed to interest rate risk arising primarily from investments in fixed interest securities held at fair value reflecting that they are actively managed to ensure the portfolios overall market value is sufficient to settle claims as they fall due.

Modified duration has been used as the measure of sensitivity of Pool Re's fixed interest portfolio to changes in interest rates. Modified duration is the weighted average of the duration of each holding in the portfolio, considering the key characteristics of the coupon, maturity and cash flows.

Pool Re uses certain derivatives to mitigate this interest rate risk. Investments in derivatives are governed by specific provisions within the investment mandates and can only be made for the purposes of efficient portfolio management.

The table below shows the value of Pool Re's holdings of financial assets and liabilities exposed to interest rate risk at the year end and shows the profit/loss impact of a 50-basis point, parallel decrease/increase in interest rates assuming all other assumptions remain unchanged:

In £m	At 31 March 2025	At 31 March 2024
Notional exposure of assets to interest rate risks	6,228	6,196
Sensitivity to 0.5% movement in interest rates	81	79
Average modified duration	2.59 years	2.54 years

Currency risk – Pool Re

Pool Re is exposed to currency risk in respect of investments denominated in a currency other than Sterling.

Pool Re's policy is to manage its exposure to non-Sterling currencies using forward contracts.

The table below shows the value of assets denominated in currencies other than Sterling not covered by foreign exchange contracts at the year end. 52% of unhedged investments are denominated in 5 currencies. The table also shows the profit/loss if Sterling had weakened/strengthened by 25% against the mix of currencies within the uncovered portion of Pool Re's investment fund, with all other variables held constant:

In £m	At 31 March 2025	At 31 March 2024
Unhedged investments	576	446
Sensitivity to 25% weakening in value of Sterling in unhedged investments	197	150
Sensitivity to 25% strengthening in value of Sterling in unhedged investments	(112)	(89)

Credit risk – Pool Re

Pool Re's investment assets are held at fair value through P&L, as such credit risk is reflected within the fair value. Pool Re's investment policies are designed to restrict the level of credit risk in the fund by setting limits on individual investments, groups of investments and amounts held at individual financial depositories. Such limits are set by reference to the credit ratings determined by established credit rating agencies and individual issuer limits. It also mitigates counterparty credit risk by concentrating debt and fixed income investments in a portfolio of high quality, investment grade, corporate and government bonds, which are considered to have low credit risk.

Pool Re receives reports from its investment managers detailing any breaches of mandates including those resulting from defaults and past due items. No financial assets of material value were past due or impaired at the year end.

The total exposure of the investment fund to credit risk at the reporting date was £6,583m (2023-24: £6,573m) Of this total, 35% (2023-24: 54%) was invested in UK government gilts and other AAA/AA rated securities. A full analysis is set out below:

In £m	At 31 March 2025	At 31 March 2024
Equities and investment funds	633	608
Debt and fixed income holdings	5,469	5,592
Derivative financial instruments	98	10

In £m	At 31 March 2025	At 31 March 2024
Short-term deposits	305	226
Cash at bank and in hand	42	46
Other debtors	36	91
Total assets bearing credit risk	**6,583**	**6,573**

In £m	At 31 March 2025		At 31 March 2024	
AAA	940	14%	1,152	18%
AA	1,314	20%	2,356	36%
A	2,079	32%	1,485	23%
BBB	941	14%	722	11%
BB	162	2%	145	2%
B	305	5%	272	4%
CCC and below	58	1%	24	0%
Not rated	784	12%	417	6%
Total assets bearing credit risk	**6,583**	**100%**	**6,573**	**100%**

At the reporting date, excluding UK government gilts and US Government Securities, the maximum credit risk exposure to a single counterparty amounted to 1.38% (2023-24: 2.0%) of the net asset value of Pool Re's investments.

Liquidity risk – Pool Re

Pool Re's overall financial risk management objective is to invest the assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods. In respect of short-term liquidity, the benchmark investment portfolio provides for 33% of the Pool Re's total investment assets to be self-liquidating within 18 months, comprising bonds with maturities of less than 18 months. At 31 March 2025, 20% (2023-24: 28%) of the Company's investment assets were held in bonds with maturities of less than 18 months. The contractual maturity profile of the fair value of these securities is as follows:

In £m	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	At 31 March 2025	At 31 March 2024
Debt and fixed income holdings	654	819	3,108	831	5,412	5,545
Short-term deposits	304	–	–	–	304	226
Cash at bank and in hand	41	–	–	–	41	47
Total	**999**	**819**	**3,108**	**831**	**5,757**	**5,818**

Pool Re has financial liabilities in respect of creditors, foreign exchange derivatives, equity derivatives, bond futures, interest rate derivatives and credit default swaps. The table below is a maturity analysis of Pool Re's financial liabilities. Cash flows in respect of derivative liabilities are shown on an undiscounted basis.

In £m	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	At 31 March 2025	At 31 March 2024
Derivatives	21	–	–	–	21	25
Claims outstanding	–	–	–	–	–	–
Deferred tax	–	40	24	–	64	60

In £m	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	At 31 March 2025	At 31 March 2024
Creditors arising from reinsurance operations	322	293	–	–	615	501
Other creditors, including investment and lease creditors	150	1	–	–	151	236
Total	**493**	**334**	**24**	**–**	**851**	**822**

National Wealth Fund (NWF) financial risk

Further information on the below financial risks of NWF will be published in the upcoming NWF annual report.

Market risk – NWF

Interest rate risk

NWF's investments comprise fixed and variable interest rate loans. NWF's exposure to interest rate risk is not significant for the financial period 2024-25. NWF does not hedge interest rate risk.

The impact of a 50 basis points (bps) increase/(decrease) in the effective interest rate applicable to loan investments would be an approximate increase/(decrease) in interest income for the period of +/−£1.2 million. This impact has been calculated by applying a 50bps sensitivity to the interest rate applicable to each interest income-deriving investment. Investments based on a floating rate of interest only have been factored into the sensitivity calculation; the relationship between the basis points and interest income is linear. It is assumed that a fixed rate investment would not be impacted by a change in interest rate from a net interest income perspective.

Price risk

NWF is subject to certain risks associated with the ownership of infrastructure and infrastructure related assets. For example, local, national and economic conditions; the supply and demand for services from and access to infrastructure; availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable. These risks could cause fluctuations in the valuation of the investments and negatively affect the returns. Price risk arises from NWF's holdings of unlisted direct equity investments and convertible preference shares, but the sensitivity of these investments to unobservable inputs is not material to the HM Treasury Group.

Liquidity risk – NWF

NWF closely monitors its liquidity position through cash flow forecasting and reporting, taking into consideration all financial commitments.

The table below provides detail on NWF's liquidity position, evaluated by comparing its financial assets and liabilities on a stand-alone basis, including balances with HM Treasury, into relevant maturity groupings.

In £m	On demand	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	At 31 March 2025
Total financial assets	43	193	3	965	1,042	2,246
Total financial liabilities	(64)	–	(8)	(593)	(395)	(1,060)
Total	**(21)**	**193**	**(5)**	**372**	**647**	**1,186**

The table below reflects the anticipated drawdown based on cashflow forecast and also reflects the element of total commitment that is expected to expire without being drawn.

In £m	On demand	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	At 31 March 2025
Contractual lending commitments	–	356	348	151	50	905
Capital commitments	–	50	91	239	37	417
Issued financial guarantee contracts	1,640	–	–	–	–	1,640
Total	**1,640**	**406**	**439**	**390**	**87**	**2,962**

Credit risk – NWF

NWF holds loans and loan commitments, the expected credit loss provision recognised in the accounts for these is £57m (2023-24: £25m). The vast majority are considered to be at stage 1 ECL, but there are three loans which transferred from stage 1 to stage 2 during 2024-25.

NWF is also exposed to credit risk from its infrastructure guarantees. This risk is discussed in **Note 16 – Financial guarantees.**

Consolidated structured entities – NWF

As at 31 March 2025, NWF does not consolidate any interests in structured entities, as NWF is not considered to have control rights over these entities.

Unconsolidated structured entities – NWF

NWF has £187 million of interests in the form of debt investments in structured entities as at 31 March 2025 (2023–24: £58 million). For equity investments through limited partnerships considered to be structured entities, NWF has £430 million (2023–24: £416 million) of interests that were measured at fair value through profit and loss.

Maximum exposure to loss from interests in unconsolidated structured entities represents the maximum loss NWF could incur as a result of its involvement with these entities, regardless of the probability of the loss being incurred. For both debt and equity investments in unconsolidated structured entities, the maximum exposure to loss is the total carrying value of on-balance sheet positions and off-balance sheet arrangements, being loan and capital commitments, at the reporting date.

NWF's interests in, and the maximum exposure to, unconsolidated structured entities are set out below.

£m	2024-25		2023-24	
Nature of interest	**Debt**	**Equity**	**Debt**	**Equity**
Private Fund Partnerships	–	430	–	416
Assets held at amortised cost	187	–	58	–
Total on-balance sheet exposures	**187**	**430**	**58**	**416**
Total off-balance sheet exposures	**63**	**370**	**183**	**587**
Maximum exposure to loss	**250**	**800**	**241**	**1,003**
Total assets of the structured entity	954	1,124	907	1,030

Reclaim Fund Ltd (RFL) financial risk

Credit risk – RFL

Material investment securities are held by RFL, exposing the HM Treasury Group to credit risk. The associated credit risk is managed by RFL's investment manager as part of the ongoing investment strategy. RFL's business model is to hold assets to maturity, investing in a mix of UK Government securities, high quality agency securities and corporate bonds, with initial purchases being restricted to investments graded no lower than BBB+. The expected credit loss recognised in the accounts is £109k (2023-24: £112k).

Market risk – RFL

RFL investment securities are held at amortised cost within HM Treasury accounts as they are fixed income and entered into with the intention to hold until maturity, this limits the exposure to market risk.

The fair value of these investment securities held by RFL and other group entitles will differ from the carrying value due to movements in market rates of interest and market expectations. See **Note 12 – Loans and investment securities**

Liquidity risk – RFL

Liquidity risk would crystalise if unexpectedly high levels of reclaims are received, through crystallisation of the provision and contingent liability for reclaims of dormant assets (See **Note 19 – Provisions** and page 120), and RFL does not have sufficient liquid assets to meet this obligation. RFL's policy is to ensure that it has sufficient funds to meet its liabilities as they fall due through effective cash management. RFL operates to a strict investment mandate, which ensures that, at all times, a substantial proportion of RFL's assets are held in a highly liquid form. RFL assets totalled £906m (2023-24: £877m), of this £438m (2023-24: £546m) was held as cash and cash equivalents and £166m (2023-24: £103m) of a total of £464m (2023-24: £328m) investment securities were due to mature in less than 12 months from the reporting date.

18. Group financial instruments – fair value

Significant judgements and estimates

Significant judgement is required to categorise Pool Re' s investment holdings under the fair value hierarchy classifications defined in IFRS 13 *Fair Value Measurement*.

The group exercises judgement in determining whether a market is active and if valuations in these markets reliably reflect the price of an arm's length transaction. The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques utilising observable and unobservable inputs, as outlined in the level 2 and level 3 descriptions included below.

The risks related to these judgements are set out in **Note 17 – Financial and insurance Risk**.

The accounting policies for financial instruments have been applied to the line items shown in the tables below. Within this note, disclosed values for trade and other receivables, and trade and other payables are shown net of non-financial assets and liabilities.

Comparison of fair value to carrying value for financial instruments not held at fair value:

- The Group holds, at amortised cost, cash and cash equivalents, trade and other receivables and loans and investment securities with a carrying value of £11,206m (2023-24: £7,309m).

- The Group holds trade and other payables at amortised cost and financial guarantees with a carrying value of £8,152m (2023-24: £5,341m).

The carrying amount for financial instruments on the Statement of Financial Position, which are classified and measured at amortised cost, is considered to be a reasonable approximation of fair value, except for the items in the table below:

In £m		2024-25 Carrying Value	2024-25 Fair Value	2023-24 Carrying Value	2023-24 Fair Value
	Group				
Financial Asset	Trade and Other Receivables	2,262	2,313	2,891	2,997
	Loans and investment	1,929	1,865	935	952
	Core Department and Agencies				
Financial Asset	Trade and Other Receivables	2,167	2,242	2,595	2,701
	Loans and investment	996	996	155	156

For amortised cost assets, valuation techniques used to derive fair value would be classed as Level 2 and 3 in the Fair Value hierarchy. Investment securities are valued using information from pricing providers. Where pricing information is not available, fair value for amortised cost assets are estimated by discounting expected future cash flows using market interest rates. Expected future cash flows take account of estimated future losses.

All financial assets and liabilities which are measured at fair value in the Statement of Financial Position, after initial recognition, are categorised within the fair value hierarchy, described below. The categorisation is based on the lowest level input that is significant to the fair value measurement as a whole. In the year, various assets held by NWF were transferred from level 2 into level 3, due to the changes in valuation techniques used to derive the fair value. The valuation technique for these assets in previous years, 'Price of Recent Investment' did not include unobservable inputs.

There are other assets that cannot be classified within the fair value hierarchy below because the Government Financial Reporting Manual (FReM) requires them to be held at historical cost. These amounts, £6m in 2024-25 (2023-24: £6m), are not shown in the table on the basis of materiality.

Group

In £m	2024-25	Level 1	Level 2	Level 3	2023-24	Level 1	Level 2 (Restated)	Level 3 (Restated)
Financial assets: fair value through OCI								
Equity Investments	**7,327**	1,316	6,011	–	**12,244**	6,788	5,456	–
Financial assets: fair value through SoCNE								
Equity Investments	**2,285**	748	785	752	**1,863**	527	817	519
Loans and Investment securities	**5,709**	799	4,613	297	**5,545**	2,135	3,410	–
Trade and other receivables	**1,633**	–	36	1,597	**2,660**	–	73	2,587
Derivative Financial Assets	**98**	5	93	–	**10**	–	10	–
Financial liabilities: fair value through SoCNE								
Trade and other payables	**(101)**	–	–	(101)	**(10)**	–	–	(10)

In £m	2024-25	Level 1	Level 2	Level 3	2023-24	Level 1	Level 2 (Restated)	Level 3 (Restated)
Derivative financial instruments	**(171,930)**	–	(171,930)	–	**(173,414)**	–	(173,414)	–
Commitments	**(1,278)**	–	–	(1,278)	**–**	–	–	–

A reconciliation from the opening balances to the closing balances of recurring fair value measurements within Level 3 of the fair value hierarchy is given in the table below:

In £m	EU financial settlement receivables	EU financial settlement payables	ERA loan asset	ERA commitment	Investment securities	Unlisted equity investments (Restated)
Balance at 1 April 2023	**2,676**	**(933)**	**–**	**–**	**1**	**373**
Additions	–	–	–	–	–	212
Disposals	(414)	904	–	–	–	(15)
Gains and losses recognised in SoCNE	325	19	–	–	(1)	(51)
Balance at 31 March 2024	**2,587**	**(10)**			**–**	**519**
Additions	–	–	297	(1,278)	–	166
Disposals	(1,507)	–	–	–	–	(5)
Gains and losses recognised in SoCNE	517	(92)	–	–	–	(41)
Transfer from level 2	–	–	–	–	–	113
Balance at 31 March 2025	**1,597**	**(102)**	**297**	**(1,278)**	**–**	**752**

Description of basis of valuations in the above table:

Level 1	The value is determined using quoted prices (unadjusted) in active markets for identical assets and liabilities the entity can access at the measurement date.

Level 2	The value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly. Unlisted entities use net assets as a proxy for their fair value. Derivatives are calculated by reference to underlying net asset value. Loans and investment securities are estimated by discounting expected future cash flows using market interest rates. Investment securities are based on prices that providers cannot guarantee are based on actual trades in the market. Net assets are considered to be a good proxy for fair value for unlisted entities because the underlying assets of each entity are held at fair value with reference either to market value or, when this is not available, discounted cashflows. The fair value of the BEAPFF derivative is calculated by reference to the underlying net assets which are all in turn measured at fair value with reference to market information or discounted cashflows. Receivables held at fair value through profit and loss are recognised in respect of Article 145 “European Coal and Steel Community in liquidation”, and Article 146 “Union investment in the European Investment Fund” of the EU Withdrawal Agreement. These are fixed tranches of payments of the UK’s share of EU assets as at 31 December 2020. The fair value of the financial assets have been estimated on the basis of the value of the instruments as reported in the EU’s annual accounts, discounted at the financial instrument rate set by HM Treasury under the Government Financial Reporting Manual (FReM) to account for the timing of the cash flows as specified under the articles. For corporate bonds, emerging market government and semi-government bonds, asset backed securities, loans, mutual funds and over the counter (OTC) derivatives that have no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information and reflect appropriate adjustment for the risks of the instrument. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates.
Level 3	Values are not based on observable market data or have significant unobservable inputs. Portfolio equity investments measured at fair value through profit and loss use a variety of market standard valuation techniques including non-public net asset valuation, earnings multiples with reference to comparable companies, discounted cashflows, industry valuation benchmarks and scenario analysis. Further detail on these valuation techniques will be published in Pool Re and NWF’s annual reports and accounts. Receivables and payables held at fair value through profit and loss are recognised in respect of Article 136 “Provisions applicable after 31 December 2020 in relation to own resources”, Article 140 “Outstanding Commitments”, Article 141 “Fines decided upon before or on 31 December 2020”, Article 143 “Contingent financial liabilities related to loans for financial assistance, European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD) and the external lending mandate”, and Article 144 “Financial Instruments under direct or indirect implementation financed by the programmes of the 2014-20 Multiannual Financial Framework MFF or under earlier financial perspectives” of the EU Withdrawal Agreement. The fair value of the financial assets and liabilities have been estimated on the basis of the value of the instruments in the reporting period received under the Withdrawal Agreement and other relevant available information from the EU’s annual accounts and associated EU policy documentation for the instruments. Forecast future cash flows are discounted at the financial instrument rate set by HM Treasury under the Financial Reporting Manual to account for the timing of the cash flows as specified under the articles. Sensitivity to valuation inputs are outlined in **Note 15 – EU Financial Settlement**

The Group assesses the need for transfers between levels in the hierarchy by considering whether a lack of observable information existed for factors relevant to the value of its instruments. During the year, the Group transferred various assets from level 2 into level 3, due to the changes in valuation techniques used to derive the fair value. The valuation technique for these assets in previous years did not include unobservable inputs.

Provisions, contingent liabilities and contingent assets

The accounting policies set out in this section are applicable to balances included in Notes 15 – EU Financial Settlement 19 – Provisions 20 – Contingent assets 21 – Contingent liabilities

Accounting Policy: Provisions

HM Treasury recognise a provision when there is:

- a present obligation arising from past event
- it is probable that a transfer of economic benefits will be required, and
- a reliable estimate can be made.

Where the future payment amount is unknown, provisions are set at a level which covers the best estimate of the number of future payments and the average payment amount. In calculating provisions, future payments may be subject to discount rates depending on the expected timing of cash flows and whether the impact of discounting is material. Provisions are calculated using the best available information, but the actual utilisations may differ from expectations.

Accounting Policy: Contingent Liabilities

HM Treasury disclose a contingent liability in the notes to the accounts when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, or;
- a present obligation arising from a past event but it is not recognised because either an outflow of economic benefits is not probable to settle the obligation, or the amount of the obligation cannot be reliably estimated.

Accounting Policy: Contingent Assets

HM Treasury discloses a contingent asset in the notes to the accounts when there is a possible asset whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of HM Treasury. Where the time value of money is material, contingent liabilities and assets are stated at discounted amounts.

19. Provisions

Significant judgements and estimates

Recognition and valuation of provisions relies on the application of professional judgement to assess the likelihood of a liability crystallising and the associated cashflows. This includes a review of historical information, and consideration of other factors expected to influence future events.

Provision balances which contain regular, similar transactions are often derived from financial models. Estimates and assumptions applied within these models are routinely evaluated and reviewed.

Recognition criteria judgements and key aspects of valuations are set out in the descriptions of individual liabilities below and within **Note 15 – EU Financial Settlement**.

Group

In £m	EU Financial Settlement	ELPS	Oil & Gas	HTB ISA	Reclaim Fund Ltd	Other	Total
Balances at 1 April	10,554	171	227	460	317	5	**11,734**
Provided in year	596	–	–	–	181	8	**785**
Provisions not required	–	(1)	(90)	(11)	–	(2)	**(104)**
Exchange rate movement	(252)	–	–	–	–	–	**(252)**
Unwinding of discount and changes in the discount rate	384	7	3	18	–	–	**412**
Provisions utilised in year	(1,752)	(24)	(9)	(118)	(169)	(1)	**(2,073)**
Balances at 31 March	**9,530**	**153**	**131**	**349**	**329**	**10**	**10,502**
of which:							
Within 1 year	1,221	22	5	349	329	8	**1,934**
Between 1 and 5 years	2,597	65	126	–	–	1	**2,789**
Later than 5 years	5,712	66	–	–	–	1	**5,779**
of which:							
Core Department & Agencies	9,530	153	131	349	–	–	**10,163**
ALBs and other bodies	–	–	–	–	329	10	**339**

Further detail on EU Financial Settlement provision can be found in **Note 15 – EU Financial Settlement**, details of other material provisions can be found below.

The movement in provisions reflected on the Statement of Comprehensive Net Expenditure (SoCNE) are made up of: Provided during the year, provisions not required, exchange rate movement, unwinding of discount and changes in the discount rate above, excluding aspects which are capitalised due to their relationship with right of use assets, property, plant and equipment or financial instruments.

Provisions are discounted in accordance with the requirements of the Government Financial Reporting Manual and the rates set centrally by HM Treasury, they are set at the following for cash flows within 5 years (4.03%), between 6-10 years (4.07%), between 11-40 years (4.81%) and more than 40 years (4.55%).

Equitable Life Payments Scheme (ELPS)	The Equitable Life Payments Scheme (ELPS) is for eligible policy holders who purchased an Equitable Life pension policy between 1 September 1992 and 31 December 2000. In 2010 the government committed to pay in the region of £1.5bn to policy holders in the scheme. As at the reporting date £1.4bn had been paid. The scheme was closed to new entrants from 31 December 2015 but continues to make payments to 'with annuities' policyholders.
Oil and gas	The Oil and Gas provision relates to claims on Decommissioning Relief Deeds (the deeds) signed between eligible oil and gas companies and HM Treasury. The deeds: • indemnify the industry for changes in tax codes which reduce the amount of decommissioning tax relief companies are eligible for; and • allows companies to claim the shortfall or the default of their partners in decommissioning North Sea oil fields. This is where a claimant is allowed to claim relief from HM Treasury otherwise available to the defaulting party, from HMRC, through the tax system. HM Treasury recognise a provision when there is claim related activity that will likely lead to a claim for an oil field, and the amount can be measured reliably for the future amounts indemnified for decommissioning that field. A net total of £90m has been released in year due to changes in expectations of claim related activity that will likely lead to a claim. The provision value of £131m (2023-24: £227m) represents the best estimate of the outstanding costs to settle. During the year, HM Treasury was required to make payments of £9m (2023-24: £87m) on claims which were paid directly to the claimants. For more information on the scheme and other potential claims, refer to **Note 21 – Contingent liabilities.**

Help to Buy (HTB) ISA	The Help to Buy ISA scheme commenced on 1 December 2015 and offers first time buyers government bonuses to be claimed on completion of a successful property purchase. The government will award a 25% bonus based on an individual's total savings in an HTB ISA account. There is a minimum £400 bonus and a maximum £3,000 bonus. The scheme closed to new entrants in November 2019, and all bonuses must be claimed by December 2030. The value of the provision of £350m (2023-24: £460m) represents the best estimate of the outstanding cost to settle the HTB ISA provision. This is based on forecast utilisations in future years. It has been calculated from forecast utilisations in future years. The year-on-year reduction primarily reflects the orderly run-off of the scheme. Since the scheme closed to new applicants in 2019, the participant base has both aged and remained fixed in size, leading to lower expected utilisations and, consequently, a smaller provision. There is significant uncertainty in relation to forecast bonus volumes which drive the forecast utilisations and the HTB ISA provision. For the 2024-25 provision, HM Treasury has estimated that approximately 30% of current eligible deposits will be utilised. As an indication of sensitivity on the provision, if 40% of eligible deposit were utilised, the provision would increase by an estimated £154m. Alternatively, if only 20% of eligible deposits were utilised, the provision would reduce by an estimated £98m. Notwithstanding the uncertainties noted above, this sensitivity covers the range of scenarios HM Treasury considers could potentially arise. There is significant variability over the timing of when the provided funds would be drawn on by homebuyers, dependent on factors including the housing market and the level of savings accrued prior to joining the scheme. Although homebuyers can draw on the bonus at any point, this is likely to be spread over the lifetime of the scheme.
Reclaim Fund Ltd (RFL)	Upon transfer of dormant account monies from UK financial institutions to the Reclaim Fund Ltd (RFL), the obligation to repay dormant account holders who subsequently reclaim their money is also transferred to the Fund. The element of the provision relating to dormant account holders is £187m (2023-24: £175m). Although account holders can reclaim their dormant balances at any point, in practice this is likely to be spread over several years. The Dormant Bank and Building Society Accounts Act 2008 dictates that the RFL is obliged to pay over the excess of dormant account monies received, after deduction of running costs, to the National Lottery Community Fund (NLCF) for ongoing distribution to the benefit of the community. The element of the provision relating to future distributions to the NLCF is £143m (2023-24: £143m). Further details on the estimates can be found in the RFL's Annual Report and Accounts, within the accounting policies note.

20. Contingent assets

Contingent assets are not recognised in the financial statements but require disclosure under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* where an inflow of economic benefit is probable. Once the realisation of income is certain, the asset is no longer a contingent asset and is recognised in the Statement of Financial Position at that point.

EU financial Settlement

As a result of the UK's withdrawal from the European Union, the following Article 141 within the Withdrawal Agreement is considered to meet the definition of a contingent asset for HM Treasury. See **Note 15 – EU Financial Settlement** (Article 141) for details.

21. Contingent liabilities

HM Treasury has recognised the following contingent liabilities, which meet the definition of contingent liabilities under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The core department and its agencies have the following contingent liabilities:

Decommissioning Relief Deeds	As part of the terms of becoming a participator in a licence in the UK or UK Continental Shelf, companies have a statutory obligation to decommission their operations properly once oil and gas production has ceased. The government has agreed Deeds with oil and gas companies to guarantee the basis on which tax relief for decommissioning is available. The deeds have been signed by the government and eligible companies. Any company that has carried on a ring-fenced trade, and the associates of those companies, are eligible to be party to a Deed. The Deed provides companies with greater certainty in respect of decommission tax relief and allows them to adopt post-tax securitisation arrangements for the future costs of decommissioning. The Deeds support the government's objective of maximising economic recovery of oil and gas reserves in the UK Continental Shelf. The Deeds are designed to free up capital that otherwise would have been held in reserve against possible changes in tax rules. As at March 2025, Offshore Energies UK estimate that around £14.7bn of capital has been unlocked for reinvestment as a result of the Deeds. As of 31 March 2025, 109 Deeds had been signed and were in force (31 March 2024: 108). These Deeds indemnify the companies for changes in tax legislation or the default of joint-venture partners in respect of their decommissioning activities, allowing them to claim relief potentially otherwise unavailable to them from HMRC. The crystallisation of any liability is dependent on the financial health of the companies (and their joint-venture partners) that are party to the Deeds. HM Treasury recognise a provision relating to the Decommissioning Relief Deeds when a claim is first admitted for an oil field and the amount can be measured reliably. See **Note 19 – Provisions** for those recognised at the reporting date. HM Treasury has not disclosed the financial effect of the Decommissioning Relief Deeds because it is unquantifiable, given that the likelihood of economic conditions at the individual firm level required for the contingent liability to crystallise cannot be accurately estimated in the absence of comparable data to use in any calculation.
Legal action	HM Treasury is currently engaged in litigation activity as the defendant. This may result in costs or damages being ordered against HM Treasury. HM Treasury has not disclosed all information that is ordinarily required under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on the grounds that it may be prejudicial to legal privilege and the outcome of the litigation. This election is made in accordance with IAS 37.92.

Whilst remote contingent liabilities do not require disclosure under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, in accordance with Managing Public Money and the Government Financial Reporting Manual (FReM), they are required to be disclosed, where material and not disclosed elsewhere in the financial statements. They have been separately disclosed in the Parliamentary accountability report from page 118.

For details of contingent liabilities arising from the EU Financial settlement see **Note 15 – EU Financial settlement**.

Other disclosures

22. Commitments

Accounting Policy: Off-balance sheet loan commitments

Off-balance sheet loan commitments reported below comprise commitments to advance cash sums as loans.

Under IFRS 9 *Financial Instruments* an impairment provision for expected credit losses (ECL) is required to be held against undrawn loan commitments. The ECL impairment provision for each commitment considers the expected drawdown on the loan commitment. The ECL impairment provision included within **Note 9 – Trade and other payables.**

In £m	2024-25 Core Department & Agencies	2024-25 Departmental Group	2023-24 Core Department & Agencies	2023-24 Departmental Group
Capital commitments	379	708	105	598
Loan commitments	6,768	1,656	7,609	1,992
Total	**7,147**	**2,364**	**7,714**	**2,590**

The commitments above primarily consist of:

Capital commitments	
CIIF	Capital commitments of £84m (2023-24: £96m) for the Core Department relate to the Charging Infrastructure Investment Fund (CIIF). The CIIF was legally committed to provide a total of £200m worth of investment to the relevant fund managers from financial years 2019-20 to 2023-24, with further investment available to support the existing portfolio until 2029-30. The drawn amounts as at 31 March are recognised as equity investments in **Note 11 – Equity investments.**
NWF	Capital commitments of £330m (2023-24: £493m) relate to undrawn equity investment commitments made by NWF, to support infrastructure projects. This is comprised mainly of equity fund commitments of £283m (2023-24: £483m), with the remainder made up of direct equity commitments and convertible debt commitments.
EBRD	The Core Department has subscribed for 34,360 additional paid in shares in the European bank for Reconstruction and Development (EBRD), to be paid in five annual instalments of €69m (£57m), commencing in April 2025. The total committed contribution is €344m, (£287m) as at 31 March 2025.
Loan commitments	
NWF	National Wealth Fund (NWF) has undrawn loan commitments totalling £905m (2023-24: £1.2bn) for loans to support infrastructure projects at the end of the reporting period.
GLA	HM Treasury has provided a £750m (2023-24: £750m) standby refinancing facility to Transport for London, Greater London Authority for the Northern Line extension, which was provided as part of the UK Guarantees scheme.
Intra-group	HM Treasury also provides a loan facility to NWF. As at 31 March 2025, the total facility available for NWF was £7bn (2023-24: £7bn), of which £983m (2023-24: £131m) is currently drawn down. As this is an intra-group commitment, it is eliminated at Departmental group level.

Financial Risk from commitments:

Currency risk – Future cash flows relating to the EBRD share purchase is denominated in Euros. The sterling value will be sensitive to changes in the Sterling/Euro exchange rate.

23. Third Party Assets

The FCA collects the Economic Crime Levy from its regulated population under section 59 of the Finance Act 2022, and is required to pay these receipts to the Consolidated fund after deduction of reasonable collection costs.

In the prior year HM Treasury held these funds, on behalf of FCA, in advance of their transfer to the Consolidated Fund. Economic Crime Levies collected by HMRC and the Gambling Commission did not and will not pass through HM Treasury. They are passed to the Consolidated Fund by HMRC and the Department for Culture, Media and Sport respectively. These funds were excluded from the balance sheet in the prior year as they are not an assets of HM Treasury, and are held in trust on behalf of the FCA.

In £m	2024-25	2023-24
Balance at 1 April	7	–
Economic Crime Levy received from FCA	–	72
Paid to the Consolidated Fund	(7)	(65)
Balance at 31 March	**–**	**7**

24. Related party transactions

The entities listed in **Note 1.3 – Basis of Consolidation**, are regarded as related parties to HM Treasury.

In line with the Government Financial Reporting Manual (FReM), the Bank of England, the Royal Mint and Local Partnerships are not consolidated, though their share capital is either wholly owned or partially owned by HM Treasury. HM Treasury's equity interests are shown within **Note 11 – Equity investments**. Dividends received from NatWest are material and are recorded in the Statement of Comprehensive Net Expenditure (SoCNE).

NatWest participate in the 'Help to Buy: ISA scheme' on an arm's length basis and pay fees which are also recognised as income in HM Treasury's financial statements. NatWest also participates in the Dormant Assets Scheme on an arm's length basis, which transfers dormant account funds to the Reclaim Fund Ltd and recognised as income in HM Treasury's Group financial statements. NatWest also has agreed a £400m financial guarantee from the National Wealth Fund to cover a series of new loans provided by NatWest Group to registered providers for the retrofit of social housing stock in the UK, which is provided on an arms length basis with the fees recognised as income in HM Treasury's Group financial statements.

In addition, HM Treasury and its Group entities have transactions with other government departments and central government bodies.

No minister, board member, key manager or other related party has undertaken any material transaction with HM Treasury during the year.

Details of compensation for key management personnel can be found in the **Remuneration Report** on page 84.

25. Auditor's remuneration

Remuneration for the audit of the HM Treasury Group accounts was a notional cost of £1,110k (2023-24: £1,010k). In addition, £1,967k (2023-24: £1,581k) was charged by the NAO for other audit services, of which £249k (2023-24: £240k) was notional. £113k (2023-24: £30k) was paid to the NAO in respect of non-audit services.

26. Adjustments for non-cash transactions

	2024-25		2023-24	
In £m	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Adjustments for non-cash transactions				
ERA commitment	1,278	1,278		
Net provisions provided in year	652	833	(820)	(651)
(Impairments)/ impairment reversals of non-financial assets	–	–	22	22
Depreciation and amortisation	8	14	8	15
Non-voted – Banking and gilts registration services	2	2	2	2
Other non-cash adjustments	1	20	2	15
Total	**1,941**	**2,147**	**(786)**	**(597)**

27. Prior period restatements

As per our accounting policies the adjusted net asset value method has been used as a proxy for fair value in the valuation of HM Treasury's unlisted equity investments, which includes the Bank of England. This is because the underlying assets of each entity are held at fair value with reference to either the market value or, when this is not available, discounted cashflows. The prior year comparative as of 31 March 2024 for the valuation of HM Treasury's investment in the Bank of England has been restated. The valuation methodology in prior years used an amortised cost valuation for the Bank's holdings of British Government securities listed on UK exchange. This is used as an input into the adjusted net asset value, reflecting the Bank's expected cash flows from holding the assets until maturity.

In 2024-25, HM Treasury determined that UK-adopted international accounting standards required this input to the adjusted net asset value to use a market-based fair value amount (disclosed separately in the Bank's financial statements), instead of the amortised cost-based carrying value on the Bank's statement of financial position. This is required to bring the underlying fair values into the valuation in accordance with the measurement objective.

The effect of this adjustment is disclosed below:

As at 31 March 2024	Previously reported	Adjustment	Restated
Equity investments	16,274	(2,162)	14,112
Fair value reserve	(3,728)	2,162	(5,890)

* Same impact on core department.

As at 1 April 2023	Previously reported	Adjustment	Restated
Equity investments	19,113	(2,259)	16,854
Fair value reserve	(7,909)	2,259	(10,168)

* Same impact on core department

28. Events after the reporting period

Bank of England Asset Purchase Facility (BEAPFF)

On 13 May 2025 the Chancellor and the Governor of the Bank of England agreed to further reduce the authorised maximum size of the BEAPFF from £654.5bn to £619.7bn, entirely composed of government gilts. The reduction reflects the continuing reduction in assets supported by the BEAPFF as part of the Bank's continuing programme to unwind the BEAPFF.

NatWest Group

On 30 May 2025 HM Treasury announced the exit of its remaining shareholding in NatWest Group. HM Treasury has continued to operate the trading plan through April and May 2025, generating a further £1.4bn of sales and reducing the government's shareholding to zero.

National Infrastructure and Service Transformation Authority

In January 2015, the Prime Minister announced a Machinery of Government change and the creation of the National Infrastructure and Service Transformation Authority (NISTA), combining the functions of the Infrastructure and Projects Authority and the National Infrastructure Commission as a single unit within HM Treasury.

On 1 April 2025, the functions, responsibilities and operations of the Infrastructure and Projects Authority moved from the Cabinet Office to HM Treasury. This transfer is expected to increase annual net expenditure by around £26m.

Extraordinary Revenue Acceleration

On 14 April 2025 HM Treasury made a £753m tranche payment to Ukraine under the Extraordinary Revenue Acceleration scheme. See also **Note 6 – Operating costs and Note 12 – Loans and investment securities** for more details on the scheme.

29. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Annexes

Annex A: Additional spending data

Treasury core tables

Total resource and capital spending for the HM Treasury Group

The tables on the following pages provide a summary of HM Treasury's net expenditure outturn for 2024-25, the four prior years and the planned expenditure for 2025-26. The data relates to the department's expenditure and budget, on the same basis as the Supply Estimates.[95]

The tables are a requirement for government departments and provide additional accountability. The format of the tables is determined by HM Treasury, and the disclosures follow that of the Supply Estimate functions.

The outturn and planned expenditure are recorded on the same basis as the information in the Statement of Outturn against Parliamentary Supply, page 106. They represent the spending incurred collectively across the departmental group in meeting its strategic objective as detailed in the Performance Report.

Resource

	Outturn					Budget
In £m	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Resource DEL						
Core Treasury	255	321	216	254	231	247
Debt Management Office	27	23	22	17	17	19
Government Internal Audit Agency	(1)	1	3	3	(2)	3
Office of Tax Simplification	1	1	1	–	–	–
UK Asset Resolution Ltd	–	–	5	5	5	5
Office for Budget Responsibility	4	4	4	5	5	6
National Wealth Fund	4	12	36	55	59	92
IUK Investments Limited	(1)	(1)	–	–	–	–
UK Government Investments Limited	16	20	17	18	18	20
National Infrastructure Commission	4	5	5	5	5	–
Asian Infrastructure Investment Bank	9	–	–	–	–	
Non-voted: Banking & gilts registration	2	2	2	2	2	2
National Infrastructure and Service Transformation Authority	–	–	–	–	–	33
Total Resource DEL	**320**	**388**	**311**	**364**	**340**	**427**

95 https://www.gov.uk/government/collections/hmt-main-estimates

In £m	Outturn 2020-21	2021-22	2022-23	2023-24	2024-25	Budget 2025-26
Resource AME						
Core Treasury	–	11	(9)	(12)	–	2
Debt Management Office	–	–	–	3	3	4
Provisions	234	(516)	(397)	237	(193)	–
UK Circulating Coinage	9	17	11	1	3	19
Investment in the Royal Mint	2	(6)	(6)	1	–	–
Financial Stability	44,520	47,220	137,220	39,774	34,690	40,700
Sovereign Grant	88	103	107	89	85	128
Pool Reinsurance Company	–	–	(65)	(345)	(276)	(212)
Reclaim Fund Ltd	(17)	(9)	(50)	(88)	(14)	(31)
UK Asset Resolution	34	51	–	1	4	25
Help to Buy Schemes	7	7	6	3	(15)	(7)
National Wealth Fund	–	(131)	(23)	17	24	(5)
EU Withdrawal Agreement Financial Settlement	(2,385)	4,825	(4,322)	(1,503)	290	–
Non voted: Royal Household Pensions	4	4	4	5	5	5
Total Resource AME	**42,496**	**51,576**	**132,476**	**38,183**	**34,606**	**40,628**
Total Resource DEL and AME (net)	**42,816**	**51,964**	**132,787**	**38,547**	**34,946**	**41,055**
of which:						
DEL Depreciation	4	4	9	8	8	–

Note: data for years beyond 2024-25 is not held, so only 5 historic years and one future year is included.

Resource DEL

Resource DEL in Core Treasury peaked in 2021-22 predominantly due to a payment of £114.3m, in relation to the London Capital and Finance Compensation Scheme. The budget for 2025-26 incorporates the baseline costs associated with the expansion of the National Wealth Fund (NWF), as well as the transfer of the budget for the National Infrastructure and Service Transformation Authority (NISTA) to HM Treasury.

Resource AME

Financial stability comprises fair value movements in derivatives, changes to financial stability provisions, fees and interest arising from financial stability interventions and impairments of financial instruments.

EU Withdrawal Agreement Financial Settlement includes the movements in provisions and receivables recognised for the UK's share of EU's assets and liabilities following the UK's exit from the European Union.

Provisions relate primarily to bonus payments under the Help to Buy ISA scheme, and the Equitable Life Payment Scheme.

Capital

In £m	Outturn 2020-21	2021-22	2022-23	2023-24	2024-25	Budget 2025-26
Capital DEL						
Core Treasury	2	13	3	1	754	824
Debt Management Office	2	–	–	–	–	1
National Wealth Fund	4	1	3	(1)	11	2
National Infrastructure Commission	1	1	1	–	–	–
National Infrastructure and Service Transformation Authority	–	–	–	–	–	1
Total Capital DEL	**9**	**15**	**7**	**–**	**765**	**828**
Capital AME						
Assistance to Financial Institutions	(2,742)	(3,780)	2,863	41,065	28,167	27,000
Sovereign Grant	5	2	(4)	4	11	6
Reclaim Fund Ltd	40	28	14	(118)	136	131
FSCS	–	–	–	–	–	–
UK Asset Resolution	(4,951)	–	–	–	–	–
Help to Buy Schemes	151	172	138	112	118	132
Pool Reinsurance Company	–	–	86	26	(32)	49
National Wealth Fund	27	52	245	604	1,148	5,747
EU Withdrawal Agreement Financial Settlement	–	(253)	(259)	(260)	(251)	(249)
Total Capital AME	**(7,470)**	**(3,779)**	**3,083**	**41,433**	**29,297**	**32,816**
Total Capital DEL and AME (Net)	**(7,461)**	**(3,764)**	**3,090**	**41,433**	**30,062**	**33,644**
Total Departmental Spending	**35,355**	**48,200**	**135,877**	**79,980**	**65,008**	**74,699**

Capital DEL

In 2024-25 HM Treasury made the first payment under the ERA scheme to Ukraine – See also **Note 6 – Operating Costs.**

In 2024-25 the National Wealth Fund signed a fifteen-year lease for its office in Leeds.

Capital AME

Assistance to financial institutions can fluctuate considerably due to the nature of the activity being driven by market conditions providing value for money. This consists of capital income proceeds from the sale of NatWest shares, and from 2022-23 onwards, capital expenditure on cash transfers to the Bank of England to part settle the BEAPFF derivative.

In 2020-21 UKAR made the final sale of all the remaining mortgages books it held for the former Bradford and Bingley and Northern Rock.

The income for the EU Withdrawal Agreement Financial Settlement from 2021-22 is for the repayment of the UK's paid in capital by the European Investment Bank. The first tranche of income in 2020-21 was received directly by the Consolidated Fund rather than by HM Treasury.

In 2021-22 the UK Infrastructure Bank (now the National Wealth Fund) opened for business. From 2021-22 capital expenditure has accelerated, as the organisation gears up towards its full lending capacity.

Analysis of administration costs

An analysis of administration income and expenditure is provided below.

	Outturn					Budget
In £m	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Core Treasury	212	211	221	222	221	235
Debt Management Office	21	17	17	17	17	–
Government Internal Audit Agency	(1)	1	3	3	(2)	3
Office of Tax Simplification	1	1	1	–	–	–
UK Asset Resolution	–	–	5	5	5	5
Office for Budget Responsibility	4	4	4	5	5	6
National Wealth Fund	–	12	36	55	59	–
UK Government Investments	16	20	17	18	18	20
National Infrastructure Commission	4	5	5	5	5	–
National Infrastructure and Service Transformation Authority	–	–	–	–	–	33
Total net administration costs	**257**	**271**	**309**	**330**	**328**	**302**
Of which:						
Staff costs	200	210	208	231	232	–
Other expenditure	124	122	151	160	166	–
Income	(67)	(61)	(50)	(61)	(70)	–

Staff costs and other expenditure

Staff costs remained consistent with 2023-24. Other expenditure has increased due to the continuing expansion of the National Wealth Fund

From 2025-26, DEL spend by the Debt Management Office and the National Wealth Fund will be reclassified from Administration spend to Programme spend.

Income

Income has increased in 2024-25 as a result of the recovery of costs relating to the disposal of the NatWest shareholding.

Disaggregated information on arm's length bodies

The following table provides a breakdown of total operating income, total operating expenditure, net expenditure for the year, staff numbers and staff costs in respect to arm's length bodies.[96]

				Permanently employed staff		Other staff	
In £m	Total operating income	Total operating expenditure	Net expenditure for the year (including financing)	Number of employees	Staff costs	Number of employees	Staff costs
Debt Management Office	(8)	28	20	109	12	26	4
Government Internal Audit Agency	(47)	45	(2)	460	37	2	–
National Infrastructure Commission	–	5	5	41	4	1	–
UK Asset Resolution Ltd	–	9	9	–	(10)	–	–
UK Government Investments Ltd	(7)	25	18	123	16	25	2
National Wealth Fund Ltd	(5)	14	83	254	39	36	5
Office for Budget Responsibility	–	5	5	48	4	–	–
Pool Reinsurance Company Ltd	(263)	178	(537)	47	10	2	–
Reclaim Fund Ltd	173	195	(14)	18	2	1	–
Royal Household Sovereign Grant	(21)	106	85	514	30	25	3
HM Treasury UK Sovereign Sukuk	(2)	–	–	–	–	–	–
Total	**(180)**	**610**	**(328)**	**1,614**	**144**	**118**	**14**

Figures may not agree directly to the published ALB accounts, due to FReM alignment, intergroup eliminations, timing differences and other consolidation adjustments.

96 Financial Reporting Advisory Board, IUK Investments Holdings Ltd, IUK Investments Ltd and Royal Mint Advisory Committee are excluded from the table as nil for all columns.

Annex B: Sustainability

Introduction

The purpose of this annex is to provide transparency on the Treasury's performance on operational activity relating to climate adaptation, sustainability, and the environment (CASE-Ops).

The commentary and data presented are consistent with the requirements of HM Treasury's Sustainability Reporting Guidance: 2024-25[97] and contribute to the reporting required by HM Treasury's TCFD-aligned disclosure Application guidance[98] [99].

The information has been reviewed by the NAO to ensure that it is consistent with other sections of the Annual Report and Accounts in line with expectation. It does not form part of the auditor's opinion on the account.

HM Treasury contributes to the UK delivery of the United Nation's Sustainable Development Goals (UN SDGs). The work of the department mainly supports three goals including SDG 8: Decent Work and Economic Growth; SDG9: Industry Innovation and Infrastructure, and SDG 16: Peace, Justice and Strong Institutions.

Scope and assurance

The commentary and data in this 2024-25 report focus on the performance of the Core Treasury.

The department is reviewing how best to work across the Treasury Group on a combined approach to addressing common issues and risks, as well as reporting.

In the interim, those Treasury Group arm's length bodies and organisations who fall within the scope of the GGC, publish their sustainability performance data in their own Annual Report and Account.

Governance and risk management

Oversight of climate related policy and operations is fully integrated within the department's governance and risk management structures[100], alongside specific governance and risk processes where required.

Climate related operational strategy, risk management, and planning takes place within the following governance and delivery structure.

97 https://www.gov.uk/government/publications/sustainability-reporting-guidance-2024-25
98 https://www.gov.uk/government/publications/tcfd-aligned-disclosure-application-guidance
99 The Treasury's statement of compliance with TCFD-aligned disclosures requirements can be found on page 38 of the Performance Report.
100 Climate-related Executive, Non-Executive and Ministerial responsibilities, details of related Board level discussions, and a full description of the department's governance and risk structures can be found within the Accountability Report.

Permanent Secretary led	**Operations Committee**	Strategy and risk oversight: quarterly reporting, additional focused sessions as required
SCS led	**CASE-Ops Working Group**	Strategy, risk, and planning; resourcing and performance management
Working level	**Mitigation Sub-group** / **Adaptation Sub-group**	Cross function planning and delivery; risk identification, assessment, management, and reporting

The Mitigation Sub-group plays a key role in coordinating actions to reduce operational emissions, including from travel, procurement, and digital infrastructure. The group supports delivery of internal carbon reduction measures and informs wider strategy through data review and recommendations to CASE-Ops.

The Adaptation Sub-group leads on identification of risks such as heat stress and flood exposure. These risks are escalated through the governance structure and incorporated into business continuity planning where appropriate.

A formal review of the department's net zero approach was conducted by the Government Internal Audit Agency in 2024–25, supporting continuous improvement in risk mitigation and accountability.

Climate-related risks are being further embedded into strategic and operational planning through internal governance and resourcing processes.

Strategy

HM Treasury recognises climate change as a material risk to the effective delivery of its core functions, due to the potential environmental impacts of its operations — whether direct or indirect, positive or negative.

It is crucial the department is transparent about its approach to understanding and responding to climate-related risks and opportunities as they relate to strategic planning, resilience, and the long-term delivery of policy priorities.

The department is committed to minimising these impacts while maintaining organisational resilience and ensuring compliance with all relevant legal and regulatory obligations. In line with this commitment, sustainability has been designated a Strategic Enabler within HM Treasury's Outcome Delivery Plan.

The strategy is continuously adapted in light of emerging data, national policy developments such as new Greening Government Commitments. Additionally, it draws on scenario risk modelling scenarios such as those provided by the Government Actuary's Department (GAD), which consider both transition risks (such as evolving policy, reputational exposure, and technology needs) and physical risks (such as climate-related damage to infrastructure or disruption to operations).

Recognising climate change will affect the department's ability to deliver its core functions both now and in the future, the strategy also accommodates how its challenges will evolve over time. In the near term, the main operational challenge is building internal capacity to understand and manage emissions. Looking to the medium term, reducing emissions from buildings and business travel becomes more pressing, especially as expectations on operational performance and reporting increase.

Further ahead, long-term physical risks such as extreme weather, heat, and flooding could disrupt operations and lead to higher costs, making climate adaptation an essential part of estate planning and resilience.

Key internal responses to emerging risks include:

- The appointment of a Chief Sustainability Officer who attends CSO, TCFD and GFF's Sustainable Finance working groups.
- Colleagues from across HM Treasury operate the Green Champions Network with the aim to 'green' the workplace.
- Action planning in relation to Nature Recovery and Biodiversity is in progress and scheduled to be completed in 2025-26.
- Strengthening travel policies to reduce emissions, including better forward planning, restrictions on short-haul flights, and a move to virtual engagement as the default.
- Replacing on-site servers with cloud-based digital infrastructure to reduce energy use and improve efficiency.
- Piloting carbon budgets for administrative units in 2026–27 to improve accountability and drive behavioural change.
- Currently, the commercial team are updating procurement practices in line with new UK Public Procurement rules and future expected GGC guidance[101] to reflect environmental, lifecycle and wider sustainability related considerations into the Department's contracts. This will enable HM Treasury to hold suppliers to account.

These actions reflect the department's broader strategic intent to ensure climate and sustainability goals are embedded across operational and policy functions — and to lead by example in delivering net zero responsibly and transparently.

HM Treasury policy and the Clean Energy Mission

The department supports the government's wider clean energy mission, including the achievement of legally binding carbon budgets and the UK's statutory target to reach net zero by 2050. It is also playing a key role in developing, enabling, and financing the UK's transition to a low-carbon economy.

Sustainability and climate considerations are increasingly embedded in the department's strategic and policy work. This includes:

- Fiscal transparency and risk management work, where energy and debt sustainability are assessed as long-term risks
- Delivery of climate-related measures through Autumn Budget 2024
- Leadership on the cross-cutting 10-Year Infrastructure Strategy
- Ongoing international engagement on the low-carbon transition, including Sovereign Green Bond issuances, climate finance taxonomies, and bilateral cooperation on green growth

Looking ahead to 2025–26, the department's sustainability and climate-related policy priorities include:

- Publication of the Clean Energy Industries and Advanced Manufacturing sector plans, setting out how the UK will capture economic growth from the net zero transition
- Delivery of Spending Review 2025, with specific investment in climate adaptation and natural capital to protect ecosystems and build national resilience

101 The public procurement Act 2023 enacted on 24 February 2025. https://www.gov.uk/guidance/public-sector-procurement-policy

- Development of the Carbon Budget and Growth Delivery Plan, providing further detail on how carbon budgets will be met and outlining decarbonisation plans for industry.

Metrics and Targets

Currently the department tracks climate-related metrics in line with the HM Treasury Sustainability Reporting Guidance, which includes:

- Greenhouse gas emissions (Scope 1, 2, and selected Scope 3 categories such as travel)
- Energy consumption, waste generation, and water use
- Performance against the Greening Government Commitments (GGCs)

As part of the CASE-Ops Strategy, the department is in the process of delivering a Transition Plan, setting out the pathway to becoming a net-zero department, and an Adaptation Plan, the department's approach to working in a changed climate.

Taking a phased approach, these Plans clearly set out how the department and the wider Treasury Group will meet public sector and legal obligations. Metrics, targets, and actions are being structured around 5 principles and progress reporting will become part of future TCFD-aligned disclosure reports. The department will aim to achieve the best outcomes possible within its control.

Principle	Target
Be future minded	Aiming for net zero, while adapting to work in a +2° and +4° climate
Be resource minded	Looking at what we use as we do our jobs and determinedly reducing it
Be asset minded	Exploiting opportunities arising from our estate and our equipment
Be skills minded	Thinking of every Treasury Group job as a green job
Be change minded	Seeking chances to be vocal about climate in work and at work

Recognising the importance of reliable data, in 2024-25 the department reviewed all relevant data sources, data assurance processes and carbon accounting practices. Aligned with the strategy's principles and targets, the review recommendations included:

- Establishing a continuous improvement programme for all sustainability related data (Be future minded; Be skills minded). Covering collection, analysis and reporting across the Treasury Group, this will align with cross-government standards and best practice, drawing on guidance and input from the finance, data science, and statistical professions. This approach aims to improve the accuracy, consistency, and interpretability of sustainability data over time. Additionally, the department will look to establish a mutual data quality assurance arrangement with another government department to provide independent review and challenge
- Increasing data transparency (Be future minded; Be change minded). This will exploit existing internal data sources to expand reported metrics to all relevant Scope 3 greenhouse gas emissions, mirroring best practice in the financial services sector and preparing for a net zero operational model
- Utilising sustainability data to improve decision making (Be resource minded; Be asset minded) Sharing travel and procurement data at a business unit level will assist financial management and planning and lay the groundwork for trialling shadow carbon budgets from 2026-27.

Data Tables

Current Greening Government Commitments[102] reporting uses 2017-18 data as HM Treasury's baseline. In addition to 2024-25 data, the Department reports sustainability data for 4 previous financial years. The department recognises there have been changes to the department's organisational boundary since its original sustainability baselines were set, and as a result there are some known limitations in the completeness and reliability of items of historical data. With fresh baselines expected to be set in 2025-26 to accompany new GGC targets, the department has chosen not to conduct a re-baselining exercise.

In light of the forthcoming Carbon Budget and Growth Delivery Plan and changes to the GGC framework, it is expected that commentary on year-on-year performance will increase in future periods.

The data tables overleaf set out HM Treasury's performance at the end of the 2024-25 financial year, with previous years' data included for comparative purposes. In advance of 2025-26 reporting the department will focus on establishing a more robust and consistent basis for assessing its performance, supported by improved data and an expanded reporting boundary. 2024-25 Outcomes include:

i) Mitigating climate change, working towards net zero by 2050: Domestic flight emissions have reduced by 33% exceeding the target of 30% reduction.

ii) Minimising waste and promoting resource efficiency: Paper use has reduced by 96%, exceeding the target of 84% reduction.

Greenhouse gas emissions

		2017-18	2021-22	2022-23	2023-24	2024-25
Tonnes CO_2e	Scope 1 (direct)[1]	7	4	14	14	15
	Scope 2 (energy indirect)[2]	1,092	736	904	927	923
	Scope 3 (energy indirect & official business travel – domestic)[3,4]	142	75	137	151	177
	Total GGC reported emissions	**1,241**	**815**	**1,055**	**1,092**	**1,115**
	Scope 3 (Other – official business travel – international)[5]	679	121	376	1,038	1,458
	Total GHG emissions	**1,920**	**936**	**1,431**	**2,130**	**2,573**

Energy use

		2017-18	2021-22	2022-23	2023-24	2024-25
mWh	Electricity: non-renewable	0	0	0	0	0
	Electricity: renewable (scope 2&3)	2,547	2,406	2,731	2,714	2,601
	Gas (Scope 1)	36	15	76	79	84
	Whitehall District Heating System (WDHS) (scope 2)	742	849	1,417	1,374	1,447
	Total related energy use	**3,325**	**3,270**	**4,224**	**4,167**	**4,132**
Tonnes CO_2e	Electricity: non-renewable	0	0	0	0	0
	Electricity: renewable (scope 2&3)	979	556	576	611	586
	Gas (Scope 1)	7	4	14	14	15
	Whitehall District Heating System (WDHS) (scope 2)	197	225	376	365	384

102 https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025/greening-government-commitments-2021-to-2025. We are currently working on the GGC target framework which was set for the period between April 2021 to March 2025.

		2017-18	2021-22	2022-23	2023-24	2024-25
£'000	**Total related energy use**	**1,183**	**785**	**967**	**990**	**986**
	Electricity: non-renewable	0	0	0	0	0
	Electricity: renewable (scope 2/3)	327	414	538	744	845
	Gas (Scope 1)	1	1	12	13	124
	Whitehall District Heating System (WDHS) (scope 2)	144	115	379	57	105
	Gross energy expenditure	**472**	**530**	**929**	**814**	**1,074**

Travel

		2017-18	2021-22	2022-23	2023-24	2024-25
km	Domestic air travel (scope 3)	147,935	16,589	103,590	65,058	88,913
	International air travel (other travel)	3,842,194	885,588	3,665,015	5,147,923	6,194,410
	Rail/underground/tram (scope 3)	619,494	670,057	1,938,913	2,359,317	3,061,964
	Hire car/taxi (scope 3)	21,509	6,825	4,726	15,801	14,013
	Fleet/private car/private motorbike (scope 3)	29,913	20,775	34,058	39,595	27,299
	Other travel – Eurostar (other travel)	643,862	67,254	195,567	101,786	184,877
	Total business travel distance	**5,304,906**	**1,667,088**	**5,941,871**	**7,729,480**	**9,571,475**
Tonnes CO_2e	Domestic air travel	21	2	13	10	14
	International air travel	671	121	375	1,038	1,457
	Rail/underground/tram	29	24	69	84	109
	Hire car/taxi	3	1	0	2	2
	Fleet/private car/private motorbike	6	4	6	7	5
	Eurostar	8	0	1	0	1
	Total business travel emissions	**737**	**152**	**464**	**1,141**	**1,588**
£'000	Domestic travel	650	385	709	886	1,030
	International flights	975	192	852	1,201	1,367
	Total business travel cost	**1,625**	**577**	**1,561**	**2,087**	**2,397**

No. of flights

		2017-18	2021-22	2022-23	2023-24	2024-25
No	Domestic flights	175	31	130	86	98
	International flights	722	196	499	685	685
	Total No of Flights	**897**	**227**	**629**	**771**	**783**

Resources and Waste: usage emissions and costs[103]

		2017-18	2021-22	2022-23	2023-24	2024-25
Tonnes	Waste recycled (excl. ICT waste)[104]	77	18	36	30	29
	Waste composted/ anaerobic digestion	9	2	2	6	8
	Waste incinerated with energy recovery	59	11	26	23	27
	Total waste arising	**145**	**31**	**64**	**59**	**64**
	Food waste re-used			0	0	0
	Food Waste composted/ anaerobic digestion			4	0	0
	Total food waste arising			**4**	**0**	**0**

Paper use

		2017-18	2021-22	2022-23	2023-24	2024-25
A4 ream equiv.	Paper used	12,916	1,053	2,408	2,107	545

Water

		2017-18	2021-22	2022-23	2023-24	2024-25
m^3	Water consumption	11,603	3,997	2,529	2,272	2,850
	Water consumption per FTE	9	2	1	1	1
£'000	Water expenditure	33	18	7	7	11

Notes
1. Scope 1: direct emissions from consumption of Gas
2. Scope 2: indirect emissions from consumption of purchased Electricity and Whitehall District Heating System (WDHS)
3. Scope 3: other indirect emissions occurring due to HMT operations, but not directly owned or controlled by HMT i.e. electricity
4. Scope 3: official business domestic only. International business travel is not reported within Greening Government Commitments
5. Scope 3: official business travel. HM Treasury recognises and reports international business travel due to its materiality

103 The tables reflect the department's Greening Government Commitments return which does not request ICT related waste. Waste cost and other data has been requested from the Government Property Agency, currently it is not separately identifiable from the overall building costs paid to GPA. The Department continues to provide feedback to the GPA to facilitate improved detailed reporting in future years.
104 ICT waste recycled, reused or recovered externally was 6.6 tonnes (2024-25: 5.28 tonnes).

Annex C: UKAR Retirements benefit assets and obligations – 2024-25

Introduction

On 20 June 2019 responsibility for the funded defined benefit pension schemes was transferred from B&B and NRAM to UKAR. HM Treasury has committed that it will ensure that UKAR has sufficient funds to make any necessary future contributions to the defined benefit schemes for which UKAR is responsible.

Responsibility for the funding of the B&B post-retirement medical scheme and the B&B and NRAM unfunded pension scheme was transferred from B&B and NRAM to UKAR on 8 October 2021 in preparation for the sale of B&B and NRAM for cash consideration.

For the purpose of the HM Treasury Annual Report and Accounts 2024-25 this Annex provides accounting and actuarial information relating to these schemes due to the timing of publication for the UKAR Annual Report and Accounts.

Further details in respect of the background to each of the schemes can be found in the 2023-24 UKAR Report and Accounts. The four schemes consist of:

UKAR Pension Schemes consist of:

- Heritage Bradford and Bingley (Heritage B&B)
- Heritage Northern Rock (Heritage NRAM)
- B&B post-retirement medical (PMI)
- B&B and NRAM Unfunded (Unfunded)

Amounts carried on the Departmental Groups SoFP

	2024-25			2023-24		
£'m	**Funded defined benefit pension plans**	**Other***	**Total**	**Funded defined benefit pension plans**	**Other***	**Total**
Present value of defined benefit obligations	(891.2)	(13.6)	(904.8)	(1,050.4)	(15.7)	(1,066.1)
Fair value of defined benefit assets	1,255.5	–	1,255.5	1,397.2	–	1,397.2
Net defined benefit asset/(Liability)	**364.3**	**(13.6)**	**350.7**	**346.8**	**(15.7)**	**331.1**

** Other comprises unfunded post-retirement medical benefit obligations and other unfunded post retirement benefits*

Amounts carried on the Departmental Groups SoCNE in respect of defined benefit arrangements are as follows:

£'m	2024-25			2023-24		
	Funded defined benefit pension plans	Other	Total	Funded defined benefit pension plans	Other	Total
Other credit to administrative expenses	10.8	(0.7)	10.1	13.6	(0.8)	12.8
Total credit recognised in the Income Statement	10.8	(0.7)	10.1	13.6	(0.8)	12.8
Credit/(charge) to other comprehensive income	**6.7**	**1.8**	**8.5**	**(90.4)**	**(1.4)**	**(91.8)**

Defined benefit obligations

Amounts carried on the Departmental Groups SoFP

	2024-25				2023-24			
£m	Heritage B&B	Heritage NRAM	Unfunded & PMI	Total	Heritage B&B	Heritage NRAM	Unfunded & PMI	Total
Present value of defined benefit obligations	(593.3)	(297.9)	13.6	**(891.2)**	(700.3)	(350.1)	15.7	**(1,034.7)**
Fair value of defined benefit assets	839.4	416.1	–	**1,255.5**	929.9	467.3	–	**1,397.2**
Net defined benefit assets	**246.1**	**118.2**	**13.6**	**364.3**	**229.6**	**117.2**	**15.7**	**362.5**

Amounts carried on the Departmental Groups SoCNE

	2024-25				2023-24			
£m	Heritage B&B	Heritage NRAM	Unfunded & PMI	Total	Heritage B&B	Heritage NRAM	Unfunded & PMI	Total
Other credit to administrative expenses	7.6	3.2	–	**10.8**	10.1	3.5	–	**13.6**
Interest charges on defined benefit obligation	–	–	(0.7)	**(0.7)**	–	–	(0.8)	**(0.8)**
Total credit/(charge) recognised in the Income Statement	7.6	3.2	(0.7)	**10.1**	10.1	3.5	(0.8)	**12.8**
Credit/(charge) to other comprehensive income	**8.9**	**(2.2)**	**1.8**	**8.5**	**(60.3)**	**(30.1)**	**(1.4)**	**(91.8)**

Movements in the present value of defined benefit obligations:

	2024-25				2023-24			
£m	Heritage B&B	Heritage NRAM	Unfunded & PMI	Total	Heritage B&B	Heritage NRAM	Unfunded & PMI	Total
At start of year	**700.3**	**350.1**	**15.7**	**1,066.1**	721.9	352.4	14.5	**1,088.8**
Interest of defined benefit obligations	32.8	16.4	0.7	**49.9**	33.3	16.2	0.8	**50.3**
Remeasurements:				**–**				
- effects of changes in demographic assumptions	(20.0)	(8.1)	(0.6)	**(28.7)**	(2.1)	(0.3)	–	**(2.4)**
- effects of changes in financial assumptions	(80.0)	(39.1)	(1.4)	**(120.5)**	(13.7)	(7.4)	(0.2)	**(21.3)**
- effects of experience adjustments	(5.7)	(4.0)	0.2	**(9.5)**	(10.3)	4.7	1.6	**(4.0)**
Benefits paid from plan	(34.1)	(17.4)	(1.0)	**(52.5)**	(28.8)	(15.5)	(1.0)	**(45.3)**
At end of year	**593.3**	**297.9**	**13.6**	**904.8**	**700.3**	**350.1**	**15.7**	**1,066.1**

Movements in the fair value of defined benefit obligations:

£m	2024-25			2023-24		
	Heritage B&B	Heritage NRAM	Total	Heritage B&B	Heritage NRAM	Total
At start of year	**929.9**	**467.3**	**1,397.2**	996.1	491.7	**1,487.8**
Interest income on defined benefit obligations	43.7	22.0	**65.7**	46.2	22.8	**69.0**
Defined benefit company contributions	–	–	**–**	5.6	4.5	**10.1**
Remeasurements:						
– return on plan assets (excl. interest income)	(96.8)	(53.4)	**(150.2)**	(86.4)	(33.1)	**(119.5)**
Administrative expenses paid from plan assets	(3.3)	(2.4)	**(5.7)**	(2.8)	(3.1)	**(5.9)**
Benefits paid from plan	(34.1)	(17.4)	**(51.5)**	(28.8)	(15.5)	**(44.3)**
At end of year	**839.4**	**416.1**	**1,255.5**	**929.9**	**467.3**	**1,397.2**

The major categories of the defined benefit assets at the end of the year were as follows:

£m	2024-25					2023-24				
	Quoted		Unquoted			Quoted		Unquoted		
	Heritage B&B	Heritage NRAM	Heritage B&B	Heritage NRAM	Total	Heritage B&B	Heritage NRAM	Heritage B&B	Heritage NRAM	Total
Bulk annuity contacts	–	–	4.4	172.4	**176.8**	–	–	6.1	198.1	**204.2**
Liability-hedging investments	688.1	212.9	–	–	**901.0**	891.3	264.9	–	–	**1,156.2**
Repurchase agreements	–	–	–	(3.0)	**(3.0)**	–	–	–	–	**–**
Cash flow management investments	–	–	–	29.1	**29.1**	–	–	–	–	**–**
Bonds (UK)	17.2	–	–	–	**17.2**	17.4	–	–	–	**17.4**
Cash and cash equivalents	–	–	129.7	4.7	**134.4**	–	–	15.1	4.3	**19.4**
Total	**705.3**	**212.9**	**134.1**	**203.2**	**1,255.5**	**908.7**	**264.9**	**21.2**	**202.4**	**1,397.2**

Heritage Bradford and Bingley (Heritage B&B)

The credit or cost to the group of funding the Scheme guaranteed benefits varies over time, dependent on market conditions and life expectancies. The credit in the year was £7.6m (31 March 2024: credit of £10.1m) and the retirement benefit remeasurement gain recognised in other comprehensive income during the year was £8.9m (2024: loss of £60.3m).

Heritage Northern Rock (Heritage NRAM)

The credit or cost of funding the Scheme guaranteed benefits varies over time, dependent on market conditions and life expectancies. The credit in the year was £3.2m (2024: credit of £3.5m) and the retirement benefit remeasurement loss recognised in other comprehensive income during the year was £2.2m (2024: loss of £30.1m).

B&B post-retirement medical (PMI) and NRAM Unfunded (Unfunded)

The actuarial assumptions used in respect of discount rates and inflation for both the unfunded and PMI defined benefit obligations were consistent with those for the funded defined benefit schemes. The life expectancy assumptions for the B&B unfunded and PMI defined benefit obligations were consistent with those for the Heritage Bradford & Bingley schemes, and the life expectancy assumptions for the NRAM unfunded defined benefit obligations were consistent with those for the Heritage NRAM schemes. In addition, in respect of the PMI defined benefit obligations, medical inflation is assumed to be 5.5% (2024: 5.5%).

Assumptions and sensitivity analysis

Summary actuarial assumptions (expressed as weighted averages)

	2024-25		2023-24	
	Heritage B&B	Heritage NRAM	Heritage B&B	Heritage NRAM
To determine benefit obligations:				
Discount rate	5.75%	5.75%	4.80%	4.80%
Inflations (RPI)	3.25%	3.25%	3.30%	3.30%
Difference between CPI and RPI (see below)	1.00%/0.00%	1.00%/0.00%	1.00%/0.00%	1.00%/0.00%
Deferred revaluation	2.50%	3.25%	2.55%	3.35%
Pension increases in payment:				
Fixed 3% pa	3.00%	3.00%	3.00%	3.00%
RPI min 3% max 5% pa	3.65%	3.65%	3.65%	3.65%
RPI min 0% max 5% pa	3.15%	3.15%	3.20%	3.20%
CPI min 0% max 3% pa	2.35%	2.35%	2.35%	2.35%

In November 2020, HM Treasury and the UK Statistics Authority (UKSA) released their joint response to a consultation on changing the methodology used to calculate the Retail Price Index (RPI). As part of this, the UKSA confirmed that they plan from 2030 to align the calculation of RPI closely to CPIH, a variant of CPI which includes owner occupiers' housing costs. The Directors have decided that, for the purposes of calculating the Company's defined benefit obligations as at 31 March 2025 and 31 March 2024, they will continue to assume that RPI will be 1% higher than CPI until 2030 but that thereafter CPI and RPI will be equal.

The expected return on the assets is set as the prior year end discount rate.

The table below shows the life expectancy assumptions from age 60:

Life expectancy assumptions from age 60

	2024-25				2023-24			
	Pensioner		Non-retired member		Pensioner		Non-retired member	
	Heritage B&B	Heritage NRAM	Heritage B&B	Heritage NRAM	Heritage B&B	Heritage NRAM	Heritage B&B	Heritage NRAM
Male	26.4	26.7	27.0	28.1	27.1	27.5	28.6	29.0
Female	28.7	29.2	29.7	30.5	29.9	29.9	31.3	31.2

Maturity profile of the obligation

At 31 March 2025 the defined benefit obligations UKAR holds responsibility for had an overall weighted average maturity of around 12 years (2023-24: 13 years).

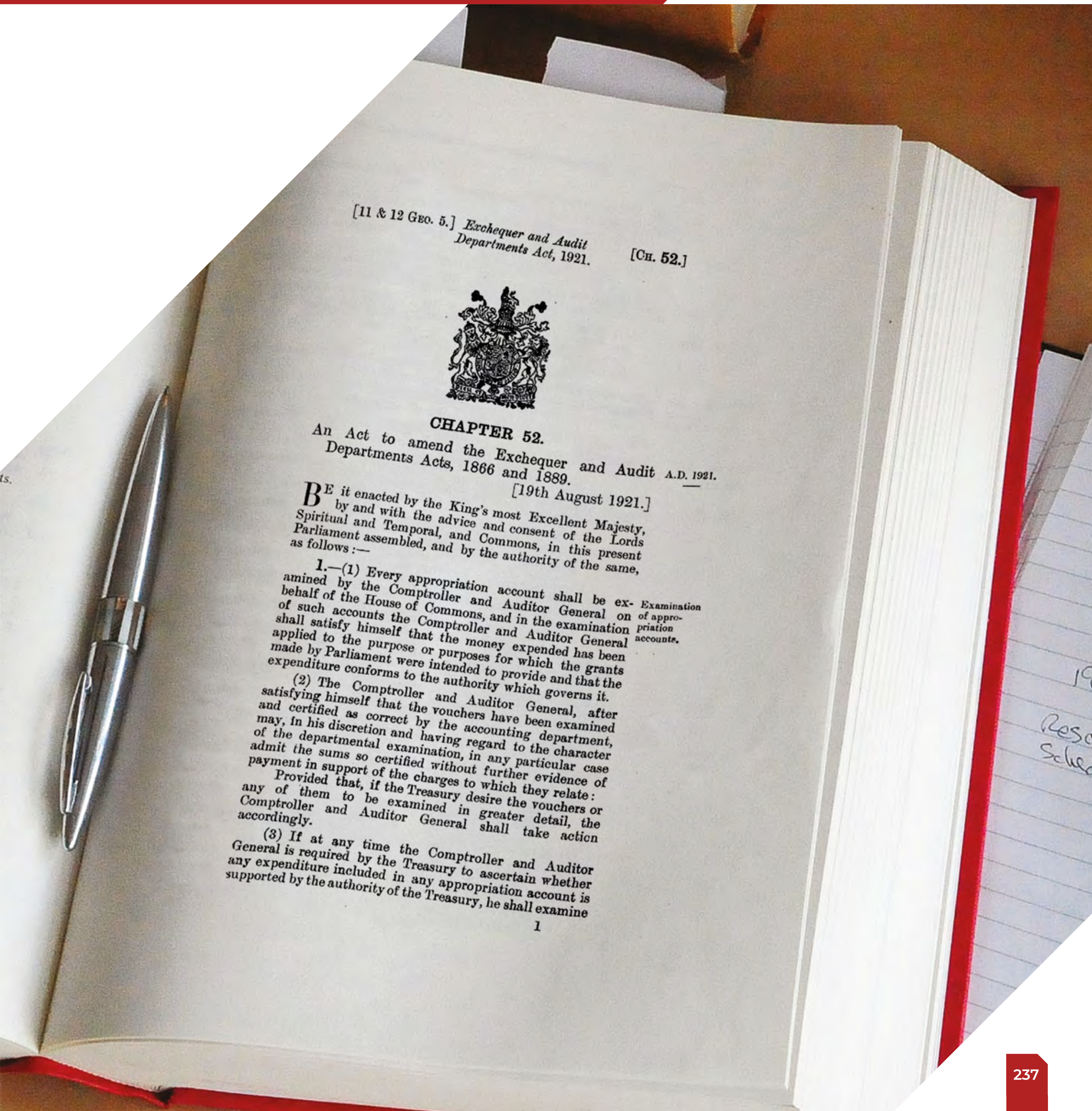
Sensitivity

The following table illustrates the sensitivity of the defined benefit pension scheme obligations to three key assumptions:

		Heritage B&B		Heritage NRAM		Unfunded and PMI	
Assumption	**Change in assumption**	**Impact on obligation**	**£m**	**Impact on obligation**	**£m**	**Impact on obligation**	**£m**
Discount rate	Decrease by 0.5%	Increase by 5%	32.4	Increase by 6%	18.1	Increase by 5%	0.7
Inflation	Increase by 0.5%	Increase by 5%	26.9	Increase by 3%	7.5	Increase by 3%	0.4
Mortality	Increase life expectancy by 1 year	Increase by 3%	17.2	Increase by 3%	8.8	Increase by 4%	0.6

In each case, the impact is calculated by applying the one change, with all other assumptions unchanged. If the assumptions were to change by the same amount in the opposite direction to those illustrated, the obligations would decrease by a similar percentage to those shown in the table in each case.

Trust Statement



Foreword to the Trust Statement

Introduction

This Trust Statement provides an account of the collection of revenues which by statute or convention, are due to the Consolidated Fund[105], where the entity undertaking the collection acts as agent, rather than as principal. The legislative requirement for the Statement is set out in the Exchequer and Audit Departments Act 1921.

Basis for the preparation and scope of the Trust Statement

An accounts direction (see Annex A), was issued by HM Treasury on 19th December 2024, in accordance with Section 2 of the Exchequer and Audit Departments Act 1921, and requires HM Treasury to prepare a Trust Statement for the financial year ended 31 March 2025.

The direction requires the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of taxes and duties. Including the revenue, expenditure and cash flows for the financial year. Regard shall be given to all relevant accounting and disclosure requirements given in the Government Financial Reporting Manual (FReM), Managing Public Money and other guidance issued by HM Treasury. For HM Treasury, this revenue comprises:

Fines

The Financial Services Act 2012[106] mandates that the Financial Conduct Authority (FCA) pay its penalty receipts, minus enforcement costs, to HM Treasury. Similarly, the Competition Act 1998[107] mandates that the Payment Systems Regulator[108] (PSR) and Prudential Regulation Authority (PRA) remit penalty receipts, minus enforcement costs, to HM Treasury. The Policing and Crime Act 2017 authorises HM Treasury to impose penalties for serious sanctions breaches, on individuals and bodies, through the Office of Financial Sanctions Implementation (OFSI)[109], for offences post 1 April 2017.

Levies

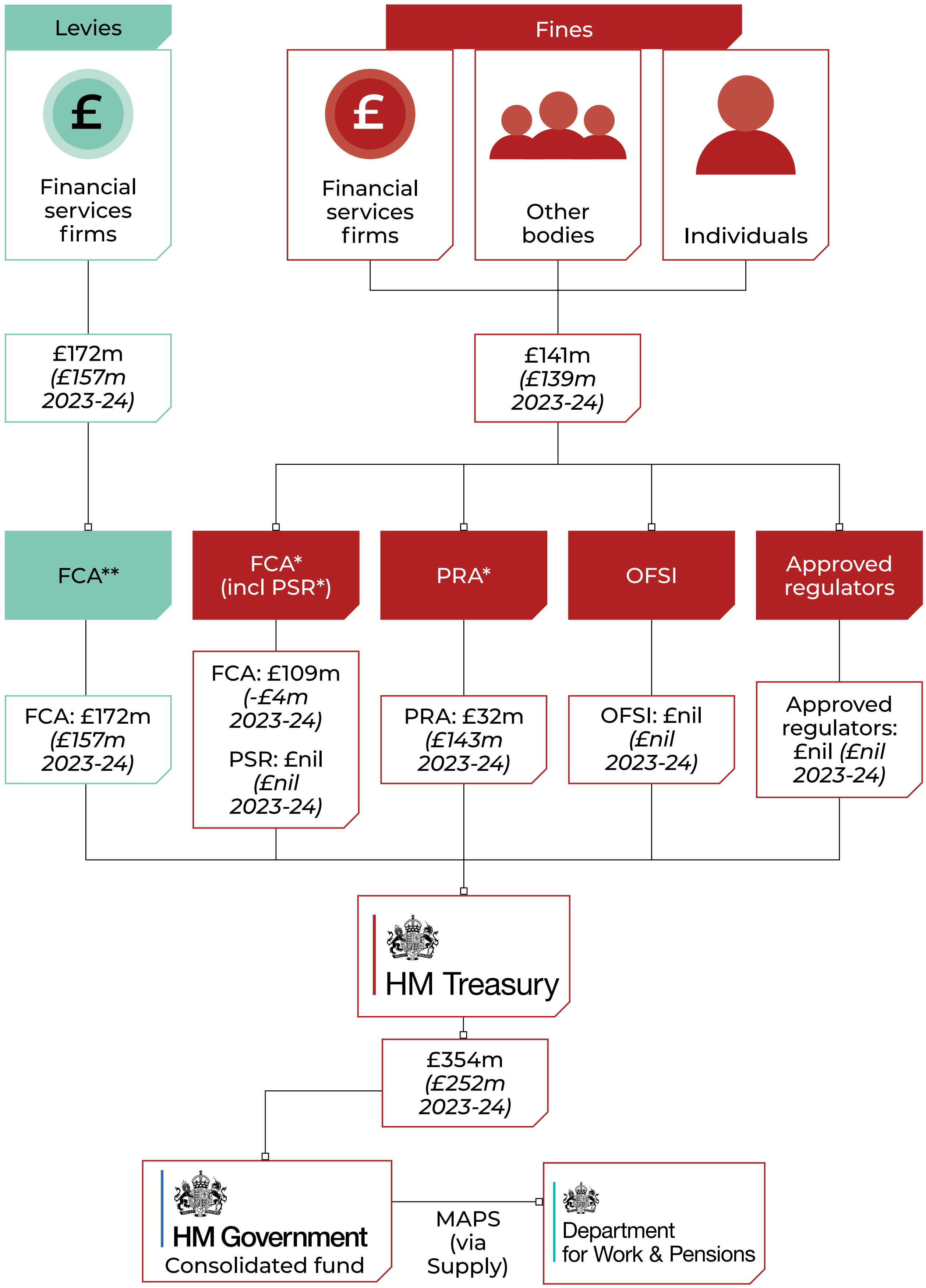
Additionally, the Financial Guidance and Claims Act 2018 requires the FCA to collect Financial Guidance levies, which, after costs, are transferred to HM Treasury. Following the transfer of the of the Money Advice Service's functions to the Department for Work and Pensions (DWP) and the devolved administrations, the Money and Pensions Advice Service Levies and Devolved Administrations Debt Advice Levies were created.

HM Treasury pay all the above receipts to the Consolidated Fund. The Money and Pensions Advice Service and Devolved Administrations Debt Advice Levies are paid into the Consolidated Fund so they can be issued via supply to DWP, as well as devolved administrations, to fund the provision of financial guidance to the public.

The table below summarises the fines and levies collected. More information on penalties and levies can be found on the respective websites of the FCA, PSR, PRA, and gov.uk for OFSI.

105 The Consolidated Fund is the Government's general bank account at the Bank of England administered by HM Treasury.
106 Section 109
107 Section 36
108 Subsidiary of FCA
109 Part of core HM Treasury

Figure 14



* Net of enforcement cost
** Net of costs

FCA: Financial Conduct Authority
PSR: Payment Systems Regulator
PRA: Prudential Regulation Authority
OFSI: Office of Financial Sanctions Implementation

Figure 15: 5 Year Trend Analysis

Fine income is dependent on penalties imposed on financial services firms, other bodies and individuals. This leads to large changes in the fines collected each financial year.

Levy income is based on the Money and Pensions Advice Service Levy and Devolved Administrations Debt Advice Levy, which is calculated by the FCA and imposed on the relevant financial services firms every year. The amount charged and the number of firms in the scope of the levy don't change by large amounts every year, leading small changes from this income source.

The costs of running HM Treasury are reported in the Core Treasury and Agencies' balances in the financial statements on pages 142 to 215 of this document. The governance statement and statement of Accounting Officer responsibilities applicable to both the Trust Statement and HM Treasury's financial statements is included within the main body of the report from page 58.

Auditor

The Trust Statement is audited by the Comptroller and Auditor General under the Exchequer and Audit Departments Act 1921. The auditor's remuneration for this is included in HM Treasury's Annual Report and Accounts above. No non-audit work was carried out by the auditor for HM Treasury on the Trust Statement.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I have audited the financial statements of the HM Treasury Trust Statement for the year ended 31 March 2025 under the Exchequer and Audit Departments Act 1921.

The financial statements comprise: the HM Treasury Trust Statement's

- Statement of Financial Position as at 31 March 2025;
- Statement of Revenue and Expenditure and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the HM Treasury Trust Statement's affairs as at 31 March 2025 and its net revenue for the year then ended; and
- have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2024. I am independent of the HM Treasury Trust Statement in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. In applying the Ethical Standards, I have considered the potential implications for my audit arising from extending a loan staff arrangement with the Office for Value for Money within HM Treasury, to October 2025. The loan staff arrangement concerns one of my directors and was for an initial period of 12 months from September 2024. The arrangement was extended by a further two months so that the secondee is able to support the completion of the Office for Value for Money's work. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the HM Treasury Trust Statement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the HM Treasury Trust Statement's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the HM Treasury Trust Statement is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Performance Report, Accountability Report and Foreword to the Trust Statement, but does not include the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921;
- the information given in the Performance Report, Accountability Report and Foreword to the Trust Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the HM Treasury Trust Statement and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the HM Treasury Trust Statement or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the HM Treasury from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921;
- preparing the annual report in accordance with HM Treasury directions issued under the Exchequer and Audit Departments Act 1921; and
- assessing the HM Treasury Trust Statement'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 the Accounting Officer anticipates that the services provided by the HM Treasury Trust Statement will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Exchequer and Audit Departments Act 1921.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the HM Treasury Trust Statement's accounting policies.
- inquired of management, the HM Treasury's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the HM Treasury Trust Statement's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the HM Treasury Trust Statement's controls relating to the HM Treasury Trust Statement's compliance with the Exchequer and Audit Departments Act 1921, Financial Services (Banking Reform) Act 2013, Financial Services and Market Act 2000, Competition Act 1998, Legal Services Act 2007, Financial Services Act 2012, Policing and Crime Act 2017 and Financial Guidance and Claims Act 2018.
- inquired of management, the HM Treasury's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the HM Treasury Trust Statement for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the HM Treasury Trust Statement's framework of authority and other legal and regulatory frameworks in which the HM Treasury Trust Statement operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the HM Treasury Trust Statement. The key laws and regulations I considered in this context included the Exchequer and Audit Departments Act 1921, Financial Services (Banking Reform) Act 2013, Financial Services and Market Act 2000, Competition Act 1998, Legal Services Act 2007, Financial Services Act 2012, Policing and Crime Act 2017 and Financial Guidance and Claims Act 2018.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business

rationale of any significant transactions that are unusual or outside the normal course of business; and

- I reviewed the accounts and underlying evidence to ensure the operation of the HM Treasury Trust Statement is within the legal framework under which it was established.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **18 July 2025**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Revenue and Expenditure
For the period ended 31 March 2025

In £m	Note	2024-25	2023-24
Net fine income	2	141	139
Net levy income	3	172	157
Revenue for the Consolidated Fund		**313**	**296**

Statement of Financial Position
As at 31 March 2025

In £m	Note	31 March 2025	31 March 2024
Current assets			
Receivable from the FCA		15	–
Cash and cash equivalents		–	60
Total current assets		**15**	**60**
Current liabilities			
Payable to the FCA		–	(4)
Total current liabilities		–	(4)
Total net assets		**15**	**56**
Balance on Consolidated Fund account	4	**15**	**56**

The notes on pages 248 to 250 form part of this statement.

James Bowler
Permanent Secretary
17 July 2025

Statement of Cash Flows

For the period ended 31 March 2025

In £m	Note	2024-25	2023-24
Net cash flow from operating activities	A	294	312
Cash paid to the Consolidated Fund		(354)	(252)
Decrease in cash in this period		**(60)**	**60**

A: Reconciliation of net cash flow to movement in net funds

In £m	2024-25	2023-24
Revenue for the Consolidated Fund	313	296
Changes in working capital	(19)	16
Net cash flow from operating activities	**294**	**312**

Notes to the Trust Statement

1. Statement of accounting policies

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements.

1.1 Basis of accounting

The Trust Statement is prepared in accordance with:

- the accounts direction issued by HM Treasury under the Exchequer and Audit Departments Act 1921
- the 2024-25 FReM issued by HM Treasury
- reference to UK adopted international accounting standards as adapted or interpreted for the public sector context
- the accounting policies detailed in subsequent notes

The accounting policies have been developed by HM Treasury and have been reviewed during 2024-25. These policies have been applied consistently in dealing with items considered material in relation to the accounts. The Trust Statement is prepared on a going concern basis.

The financial information presented is rounded to the nearest £m.

1.2 Standards issued but not yet effective

Several new accounting standards have been issued but are not yet effective. Their application is not expected to have any impact on the Trust Statement financial statements in the period of the initial application. The Trust Statement does not intend to early-adopt the following standards.

IFRS 17 Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on, or after, 1 April 2025.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (Subject to UK endorsement).

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 was issued in May 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (Subject to UK endorsement).

The 2025-26 FReM issued by HM Treasury has a new adaptation for IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, alongside new guidance regarding social benefit expenditure. Neither of these changes to the FReM are expected to impact the Trust Statement financial statements.

There are no other FReM, IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Trust Statement.

1.3 Accounting convention

The Trust Statement has been prepared on an accrual basis under the historical cost convention.

1.4 Revenue recognition

Fine income is accounted for in accordance with the FReM adaptation of IFRS 15 *Revenue from Contracts with Customers*, net of enforcement costs where these are deductible by legislation. It is recognised when the revenue can be measured reliably, and it is probable that the economic benefits from the taxable event will flow to HM Treasury.

Similarly, levy income is accounted for in accordance with the FReM adaptation of IFRS 15 *Revenue from Contracts with Customers*, net of enforcement costs. It is recognised when all, or substantially all, of the consideration promised by the levy payer has been received by the FCA and is non-refundable.

1.5 Receivables

Receivables are accounted for in accordance with the requirements of IFRS 9 *Financial Instruments*. Accrued revenue receivable represents the amount due from the FCA, PSR and PRA, where penalties and levies have been received by the regulators, but the cash has not been transferred to HM Treasury as at the reporting date.

1.6 Payables

Payables are accounted for in accordance with the requirements of the IFRS 9 *Financial instruments*. Payables represent the amount due to the FCA where enforcements costs exceed the fines collected. This expenditure is expected to be covered by future fines within 12 months of the reporting date.

2. Net fine income

In £m	2024-25	2023-24
Fine income from the Financial Conduct Authority (FCA)	109	(4)
Fine income from the Prudential Regulation Authority (PRA)	32	143
Net fine income	**141**	**139**

In 2023-24 HM Treasury had £4m in enforcement cost owed to the FCA. This was due to an overpayment made by the FCA to HM Treasury in 2022-23. Fines received by the FCA in the current year were used to cover this cost.

Detailed information on fines collected can be found in both the audited accounts of the PSR and the FCA and the Bank of England (of which the PRA is part).

Less than £1m (2023-24: less than £1m) was received in relation to penalties from sanctions breaches issued by OFSI and penalties from approved regulators empowered by Legal Services Act 2007.

3. Net levy income

In £m	2024-25	2023-24
Levy income from FCA for financial guidance	172	157
Total	**172**	**157**

Detailed information on levies collected can be found in the audited accounts of the FCA (www.fca.org.uk).

4. Balance on Consolidated Fund Account

In £m	2024-25	2023-24
Balance on Consolidated Fund account as at 1 April	56	12
Net revenue for the Consolidated Fund	313	296
Less amount paid to the Consolidated Fund	(354)	(252)
Total	**15**	**56**

5. Events after the reporting period

There were no events after the reporting period.

6. Date authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

Annex A: Accounts direction given by HM Treasury in accordance with section 2 of the Exchequer and Audit Departments Act 1921

1. This direction applies to those government departments listed in appendix 2.

2. The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2025 for the revenue and other income, as directed by the Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of Government Financial Reporting Manual ("FReM") 2024-25.

3. The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties and other income by the Department as agent and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met from that revenue and other income; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

4. The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

5. When preparing the Statement, the Department shall comply with the guidance given in the FReM (Chapter 11). The Department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

7. The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament.

8. The Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 2 of the Exchequer and Audit Departments Act 1921 shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

Kevin Pertaub
Deputy Director,
Government Financial Reporting
HM Treasury
19 December 2024

HM Treasury contacts

This document can be downloaded from www.gov.uk

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