United Kingdom
Debt Management
Office

DMO Annual Review 2024-25

29 August 2025

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Foreword by the DMO Chief Executive

In the financial year 2024-25, the DMO successfully delivered the second highest financing remit in our history through the core gilt sales programme. We also performed our cash management operations, local authority lending through the PWLB lending facility and investment of public sector funds via the Commissioners for the Reduction of the National Debt (CRND).

2024-25 represented another challenge for the DMO, with considerable volatility in international financial markets. Alongside this, the government's gilt financing remit rose in-year to an elevated level, resulting in total gilt sales of £297.7 billion.

- The original gilt financing remit for 2024-25 was announced on 6 March 2024 with planned gilt sales of £265.3 billion (including planned green gilt sales totalling £10.0 billion).

- Following publication of the outturn of the 2023-24 financing requirement on 23 April 2024, planned gilt sales for 2024-25 were increased by £12.4 billion to £277.7 billion.

- At Autumn Budget 2024, which took place on 30 October 2024 and coincided with the publication of the Office for Budget Responsibility's Economic and Fiscal Outlook, a further increase of £19.2 billion in planned gilt sales (to £296.9 billion) was announced. In addition, the net contribution of Treasury bills for debt financing increased to £3.0 billion from zero. Overall, the DMO's financing requirement for 2024-25 was increased by £22.2 billion.

The outturn for gilt sales in 2024-25, of £297.7 billion, was £32.4 billion higher than the initial remit plan in the spring and represented a 24.5% increase on the DMO's £239.1 billion gilt remit in 2023-24. The outturn also included green gilt sales of £10.0 billion.

Auctions remained the DMO's primary means of selling gilts, raising £232.8 billion (including £19.4 billion of proceeds from the Post Auction Option Facility), and represented 78% of overall sales. The average bid/cover ratio at gilt auctions in 2024-25 was 3.18x, higher than that recorded in 2023-24 (2.78x).

The DMO undertook 77 gilt auctions in 2024-25. Auctions were supplemented by eight syndicated offerings (five of conventional gilts and three of index-linked gilts), which raised £59.3 billion (19.9% of total gilt sales). Four gilt tenders were held during 2024-25, raising £5.5 billion.

Syndicated sales of gilts achieved significant levels of investor demand. The final conventional gilt syndication of the year raised £12.9 billion – a record for a single DMO transaction. Alongside gilts, there was also sustained demand for Treasury bills in the year as they continued to attract considerable overseas investor interest.

In 2024-25, the DMO also continued to perform strongly in carrying out its cash management function, meeting the financial obligations of the UK government on every business day. The DMO's cash management activities resulted in trading turnover of £5.9 trillion during 2024-25.

The PWLB lending facility has continued to fulfil its statutory function in lending to local authorities and councils on a non-discretionary basis. At 31 March 2025, the PWLB's loan assets outstanding were £110.5 billion. 1,121 new loans totalling £14.6 billion were advanced during the financial year.

During 2024-25, the DMO again successfully provided a cost-effective service to its clients through the fund management operations of the CRND. The market value of these funds was £91.3 billion at 31 March 2025.

In November 2024, the Chancellor of the Exchequer announced the launch of a pilot Digital Gilt Instrument (DIGIT) issuance. As an experimental issue outside the DMO's gilt issuance programme, the DMO and His Majesty's Treasury are together exploring through DIGIT how digital ledger technology can be applied to UK government debt issuance processes.

In my first year as Chief Executive Officer, succeeding Sir Robert Stheeman on 1 July 2024, I would like to express my gratitude to DMO employees for their outstanding contribution to the DMO's achievements in 2024-25. I also wish to convey my great thanks to all our market counterparties and other core stakeholders for their continued support for the government's financing programme.

Jessica Pulay
Chief Executive Officer
UK Debt Management Office

Chapter 1
Economic conditions and the gilt market in 2024-25

Macroeconomic developments

Global inflation rates continued to decline during the 2024-25 financial year, albeit at a more modest pace than during 2023-24. Falls were driven by changes in both demand and supply dynamics: demand for goods was lower while supply chains continued to recover. The improvement in inflation was further helped by the restrictive monetary policies put in place by central banks over 2022 and 2023. However, inflation did pick up again in the UK in the second half of the financial year mainly as a result of rising energy prices. Unemployment rates varied by region: the UK saw unemployment rise from a low of 3.9% in 2023, closing the 2024-25 financial year at 4.4%, although this remains low by historical standards. Joblessness in the Eurozone steadily declined over 2024-25, whereas in the US the rate rose from 3.9% to 4.2%.

Global economic activity was mixed over the financial year, with the US continuing to outperform other developed nations. Despite the mixed global Gross Domestic Product (GDP) data (UK +1.1%, US +2.8%, EU +1.0% in 2024-25), global retail sales continued to be relatively robust and returned to pre-pandemic volumes. Global household savings rates as a share of disposable income diverged. The UK and European Union (EU) saw increased savings rates whereas the US continued to see a decline, likely reflecting differing economic backdrops. Global economic data in the middle of the financial year suggested some degree of slowdown. Economic activity diverged thereafter, with the UK and the EU continuing to see subdued levels of growth, while data in the US improved, with strong jobs growth alongside rising inflation. Levels of business investment differed throughout the year, remaining lower in the UK and the EU while rising in the US – which helped to compound the relatively robust performance of the US economy. However, the last month of the financial year saw US GDP decline by 0.3%: this was driven by changes in US trade policy and, in particular, fears over the impact of goods tariffs on global growth and inflation.

In the UK, early real economic growth gave way to a slower performance until the final quarter of the financial year. Quarter-on-quarter real GDP growth was 0.5%, 0.0%, 0.1% and 0.7% over the four quarters of the financial year. The fourth quarter (Q4 2024-25) improvement was driven by increased fixed investment and increased activity ahead of potential tariff changes in the US.

Monetary policy background

Over the first half of the 2024-25 financial year, inflation continued to decline across major western economies and, in some cases, dipped below 2%. September 2024 marked the lowest point for UK inflation, which then rose over the remainder of the year.

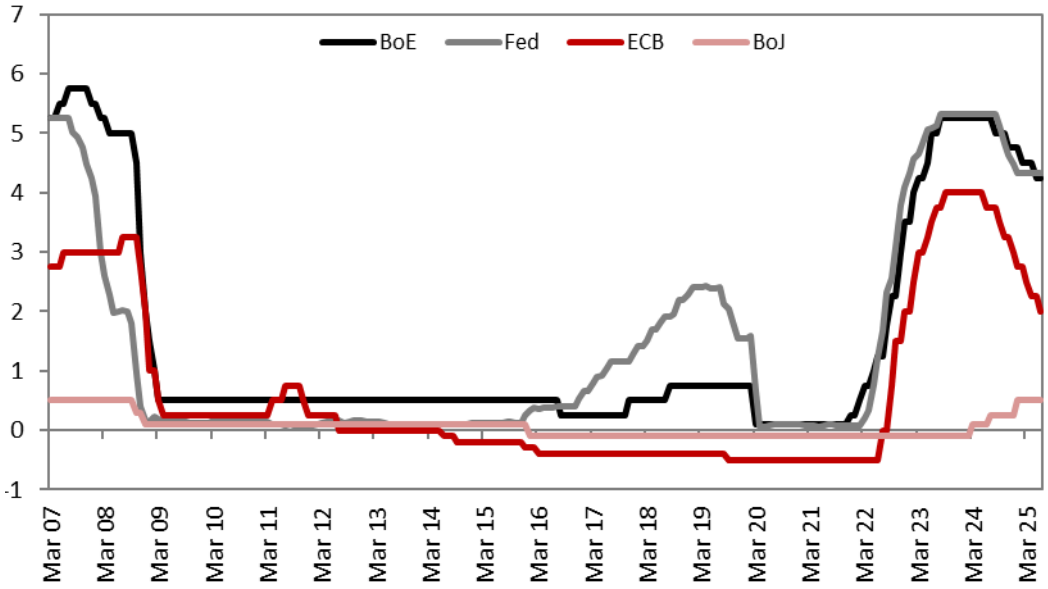
In August 2024, the Bank of England's (BoE's) Monetary Policy Committee (MPC) reduced Bank Rate for the first time since the pandemic by 0.25% to 5.0%. The MPC indicated a gradual trajectory of lower rates, with an emphasis on the risk of inflation remaining above the BoE's 2% target driven by tight labour market conditions and stronger than expected consumer demand. The MPC noted the need for a degree of policy restrictiveness until the risks to inflation returning sustainably to the 2% target had diminished. The MPC reduced Bank Rate again by 0.25% in November 2024 and once more by 0.25% in February 2025, taking the level to 4.5%, and maintaining the "gradual and careful" forward guidance. The second round of the BoE's quantitative tightening (QT) concluded in September 2024 - gilt holdings were reduced by £100 billion via a combination of active sales and gilt redemptions. The MPC voted to reduce the stock of UK government bonds held for monetary policy purposes by a further £100 billion between October 2024 and September 2025.

The US Federal Reserve's Federal Open Market Committee (FOMC) lowered rates three times in 2024-25, beginning with a 0.5% reduction in September 2024 followed by two 0.25% reductions in November and December, taking the Federal Funds Rate to between 4.25% and 4.5%. The size of the Federal Reserve balance sheet continued to decline over the 2024-25 financial year, from $7.5 trillion to $6.7 trillion. The reduction was achieved through redemptions of existing holdings. The Federal Reserve maintained a "wait and see" stance on policy rates from December 2024 as it assessed the impact of trade uncertainty on the economy.

The European Central Bank (ECB) started to reduce its main refinancing rate in June 2024, reaching a level of 2.65% by end-March 2025 after a series of six reductions. Fears over the weakness in Eurozone GDP growth, accompanied by a steady decline in inflation, enabled the ECB to lower rates further than the UK and the US. At its December 2024 meeting, the ECB elected to stop reinvesting proceeds from maturing bonds from its quantitative easing (QE) programme.

By contrast, the Bank of Japan (BoJ) began to raise its main overnight rate in March 2024 and continued to do so in 2024-25. The BoJ raised the main overnight rate by 0.15% to 0.25% in July 2024 and again in January 2025 by 0.25% to 0.5%. Over the period, Japanese inflation rose to 3.0% in August 2024 and fell again to 2.25% in October 2024 before closing the financial year at 3.6%. The BoJ elected to cease its policy of yield curve control from 2024-25: this measure sought to keep the yield of the ten-year Japanese Government Bond (JGB) within adjustable limits. The BoJ continued to purchase JGBs as part of its QE programme over the course of the financial year.

Chart 1: Major central bank rates (%)



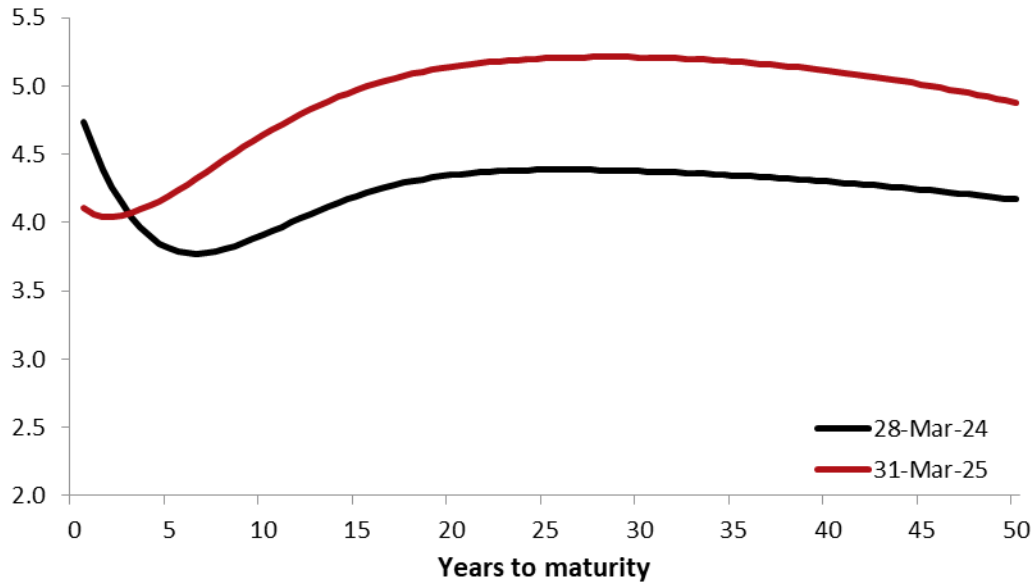
Source: Bloomberg

Gilt market developments

Nominal par gilt yields[1]

Nominal par gilt yields[2] fell for short maturities and increased along the rest of the curve during 2024-25. 5-year par yields increased by 38 basis points (bp) to 4.19%; 10-year par yields increased by 73bp to 4.64%; 30-year par yields increased by 83bp to 5.21%; and 50-year par yields increased by 71bp to 4.88%. See Chart 2.

Chart 2: Nominal par gilt yield curves 2024-25 (%)



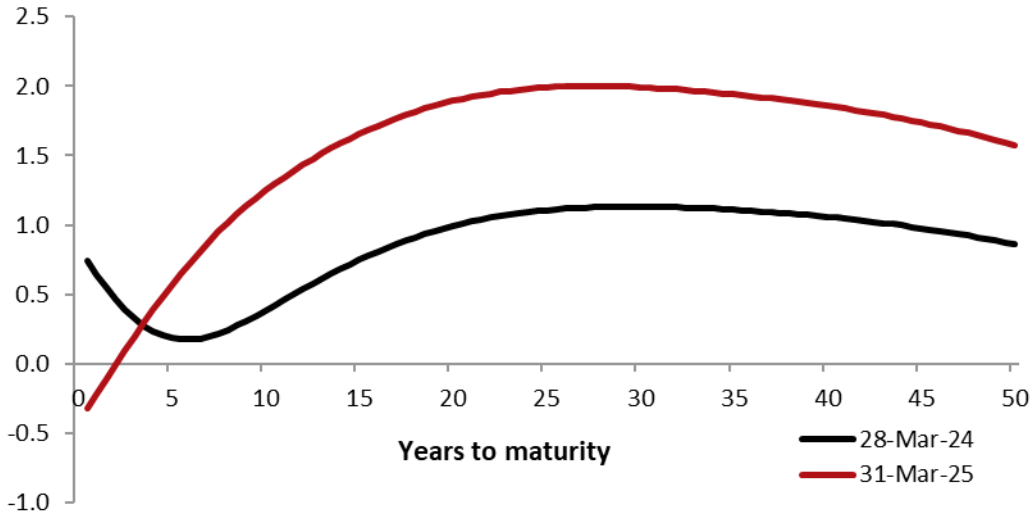
Source: DMO

Real par gilt yields

Real par yields increased across most of the curve, except for sub-3-year maturities, which fell. 5-year real par yields rose by 38bp to 0.57%; 10-year real par yields rose 87bp to 1.25%; 30-year real par yields rose by 86bp to 1.99%; and 50-year real par yields increased by 72bp to 1.57%. See Chart 3.

[1] A par yield curve is a graphical representation of the yields of a range of bonds with different maturities, priced at par. On the par yield curve, the coupon rate on each bond will equal the yield-to-maturity of that bond. The changes referred to here are obtained by comparing yields at 28 March 2024 and 31 March 2025.
[2] Yield figures are synthetic and derived from a fitted curve.

Chart 3: Real par gilt yield curves 2024-25 (%)

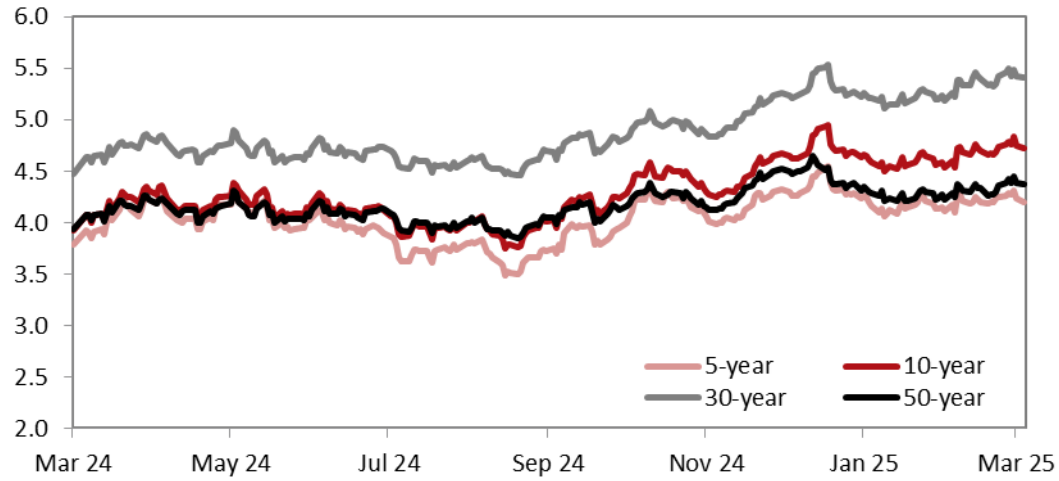


Source: DMO

Nominal yields

Chart 4 shows the path of fitted conventional gilt yields at 5-, 10-, 30-, and 50-year maturities during 2024-25[3]. Gilt yields remained relatively stable throughout the first half of the financial year, with a notable drop in the 5-year yield in August 2024 following the first reduction in Bank Rate since March 2020. Nominal gilt yields rose in the second half of the financial year, peaking in early January 2025 – movements at the beginning of 2025 largely tracked those of other sovereign bond markets, particularly the US. After falling slightly throughout the rest of January and February 2025, levels picked up again in March 2025. Over the financial year, the yield of 5-year gilts increased by 47bp to 4.23%; the 10-year rose by 84bp to 4.75%; the 30-year increased by 98bp to reach 5.42%; and the 50-year increased by 45bp to end the financial year at 4.39%.

Chart 4: Nominal gilt yields 2024-25 (%)



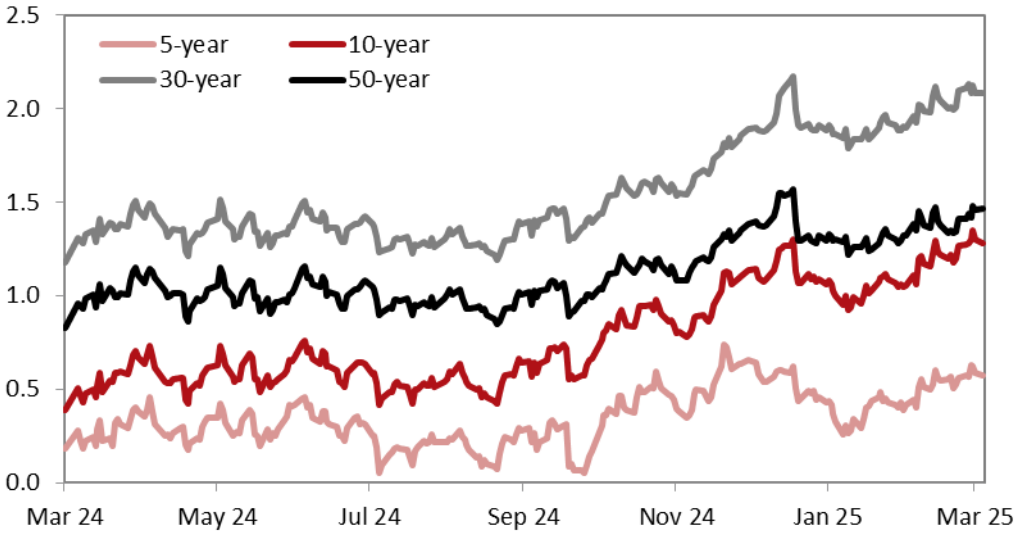
Source: DMO

[3] In contrast with Chart 2, Chart 4 reflects observable spot yields at different points across the conventional gilt yield curve during the financial year, which will result in different values when comparing the two charts.

Real gilt yields

Chart 5 shows the real yields on selected index-linked gilt maturities in 2024-25[4]. Real yields across the curve oscillated around end-March 2024 levels in the first half of 2024-25 with observable drops around a reduction in Bank Rate in August 2024, and a Retail Prices Index (RPI) data release in October 2024 (which highlighted that inflation fell sharply beyond market expectations in the preceding month). Real yields across all maturities rose throughout the second half of the financial year: this trend was most prominent in the 30-year area. In 2024-25, the 5-year real yield increased by 39bp to 0.59%; the 10-year increased by 89bp to 1.30%; the 30-year rose 93bp to 2.08%; and the 50-year increased by 58bp, reaching 1.46%.

Chart 5: Real gilt yields 2024-25 (%)



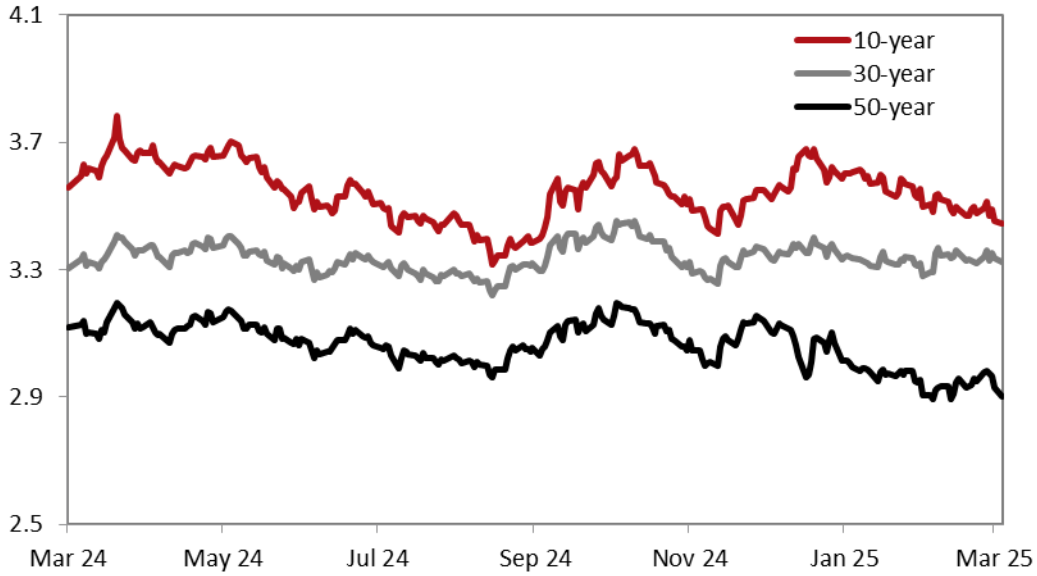
Source: DMO

Break-even inflation rates[5]

By September 2024, break-even inflation rates (BEIRs) had fallen slightly relative to the beginning of the financial year before increasing throughout October 2024. After falling again in November 2024, 10- and 30-year BEIRs ended the financial year having fallen by 11bp (to 3.44%) and risen by 2bp (to 3.32%) at end-March 2025 respectively. The 50-year BEIR fell 22bp over the course of the financial year to reach 2.90%. See Chart 6.

[4] In contrast with Chart 3, Chart 5 reflects observable spot yields at different points across the real gilt yield curve during the financial year, which will result in different values when comparing the two charts.
[5] The break-even inflation rate is the annual average inflation rate which, if realised, would equate the nominal yield of a conventional gilt to that of an index-linked gilt of the same maturity; i.e., the rate at which (other things being equal) an investor would be indifferent between holding either type of gilt.

Chart 6: 10-, 30-, and 50-year break-even inflation rates 2024-25 (%)

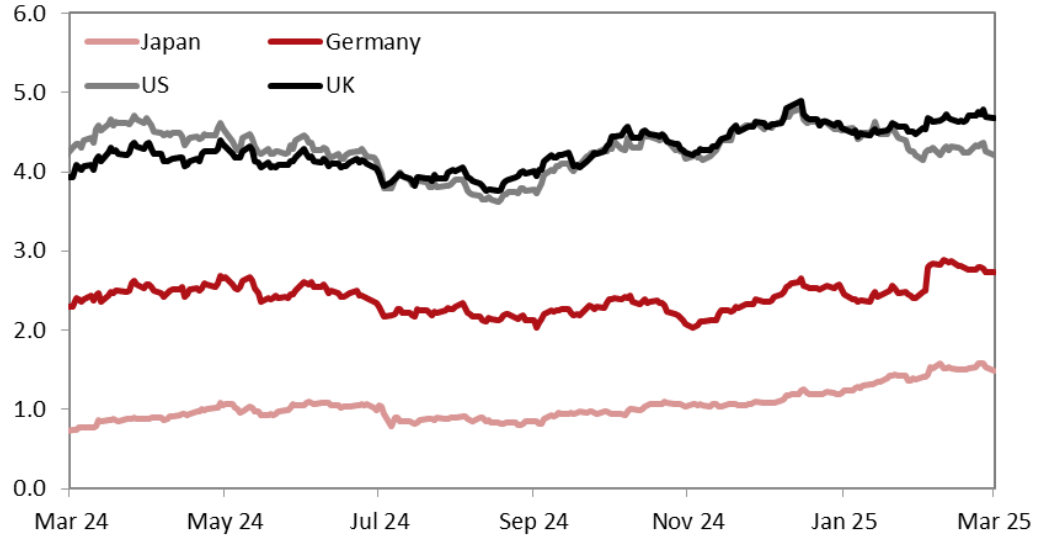


Source: DMO

International comparisons

Globally, 10-year government bond yields showed mixed performance in the first half of the financial year, with modest rises in the UK and Japan and drops in Germany and the US. Yields rose among all sample countries in the second half of the financial year. Rates in the US, UK, and Germany notably dipped at the time of the US presidential election in November 2024 before increasing once again. In March 2025, German bond yields rose as the government announced a large increase in government borrowing. Around the same time, US yields fell as trade policy developments led to expectations of deeper rate cuts – deviating from the relative convergence between the UK and US throughout the year. Over 2024-25 as a whole, 10-year yields rose by 74bp in the UK; 76bp in Japan; and 44bp in Germany, whereas US 10-year yields rose by just 1bp[6]. See Chart 7.

Chart 7: Selected international 10-year benchmark yields 2024-25 (%)

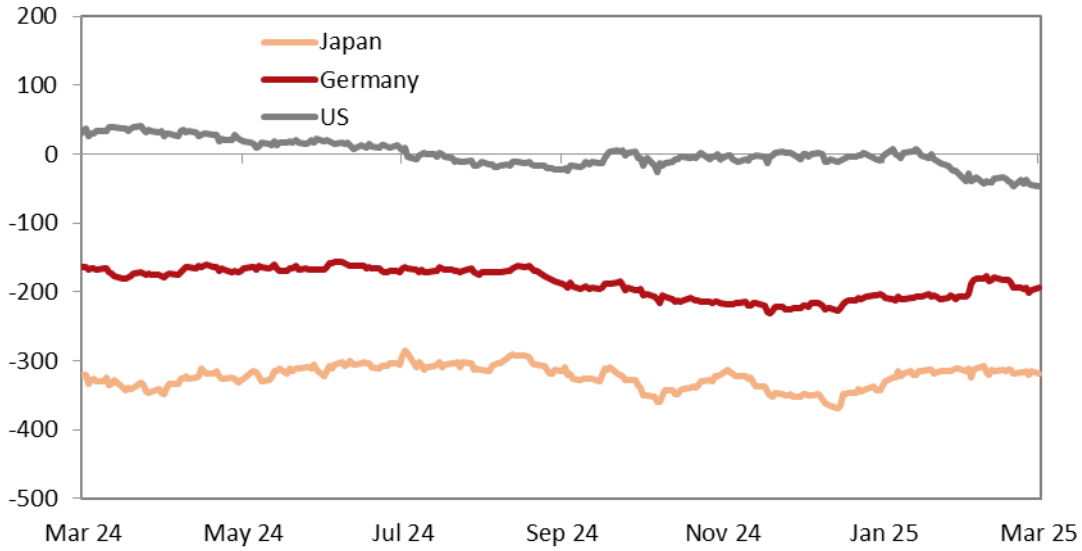


Source: Bloomberg

[6] To allow for a meaningful comparison with peers, each figure was taken from Bloomberg indices.

10-year gilts slightly outperformed comparable maturity US Treasury bonds in the first few months of 2024-25 but underperformed later in the year – spreads widened by 85bp to reach -47bp over the course of the financial year. Gilts also moderately underperformed German 10-year bonds, with spreads widening by 30bp to reach -194bp. The relative performance of 10-year gilts versus equivalent maturity Japanese bonds was mostly unchanged, with spreads narrowing by 1bp to end the financial year at -319bp. See Chart 8.

Chart 8: Selected international 10-year benchmark bond yield spreads to 10-year gilts (bp)



Source: Bloomberg

Gilt market turnover

Aggregate gilt market turnover in 2024-25, as reported by the Gilt-edged Market Makers (GEMMs)[7] rose by 14.2% compared with the previous financial year to £11.19 trillion. Turnover rose in short conventional gilts by 10.9% to £3.34 trillion, in medium conventional gilts by 30.3% to £4.42 trillion, in long conventional gilts by 0.5% to £1.98 trillion and in index-linked gilts by 2.1% to £1.45 trillion. Developments in gilt market turnover are shown in Table 1 and Chart 9 and the growth in the size of the gilt market (by value) over this period is shown in Chart 10.

[7] The current list of GEMMs and their addresses are available on the DMO website at: https://www.dmo.gov.uk/responsibilities/gilt-market/market-participants/.

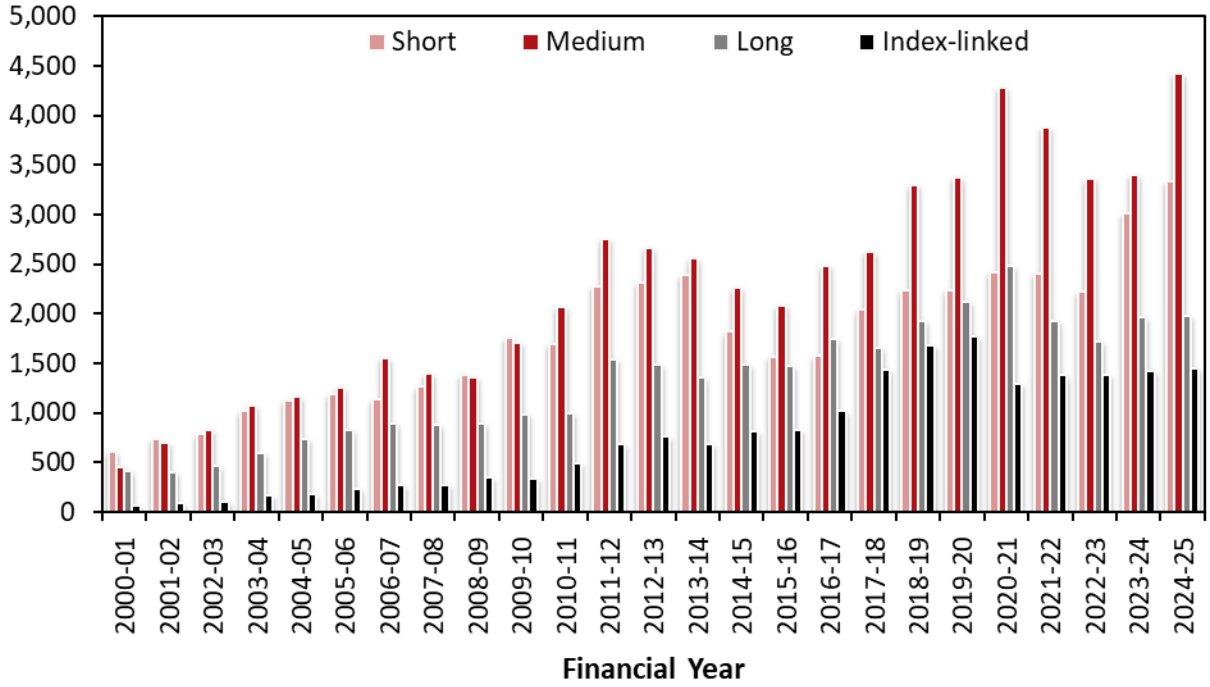
Table 1: Aggregate gilt market turnover (cash terms) by GEMMs 2000-01 to 2024-25 (£ billion)[8]

	Short	Medium	Long	Index-linked	Total
2000-01	608	446	412	65	**1,531**
2001-02	733	692	396	86	**1,907**
2002-03	784	822	460	103	**2,168**
2003-04	1,016	1,071	599	172	**2,858**
2004-05	1,120	1,161	738	176	**3,195**
2005-06	1,186	1,252	825	236	**3,500**
2006-07	1,139	1,548	893	276	**3,856**
2007-08	1,262	1,399	877	271	**3,808**
2008-09	1,389	1,358	894	346	**3,988**
2009-10	1,754	1,702	976	336	**4,769**
2010-11	1,691	2,073	991	485	**5,240**
2011-12	2,280	2,753	1,541	689	**7,263**
2012-13	2,308	2,659	1,488	757	**7,213**
2013-14	2,391	2,555	1,356	690	**6,992**
2014-15	1,828	2,256	1,485	818	**6,387**
2015-16	1,569	2,084	1,474	821	**5,949**
2016-17	1,571	2,485	1,745	1,025	**6,826**
2017-18	2,048	2,629	1,660	1,441	**7,777**
2018-19	2,232	3,295	1,923	1,685	**9,136**
2019-20	2,231	3,375	2,114	1,771	**9,491**
2020-21	2,417	4,275	2,476	1,290	**10,457**
2021-22	2,409	3,885	1,920	1,387	**9,600**
2022-23	2,223	3,365	1,715	1,381	**8,683**
2023-24	3,010	3,394	1,969	1,418	**9,791**
2024-25	3,338	4,422	1,979	1,448	**11,187**

Source: GEMMs

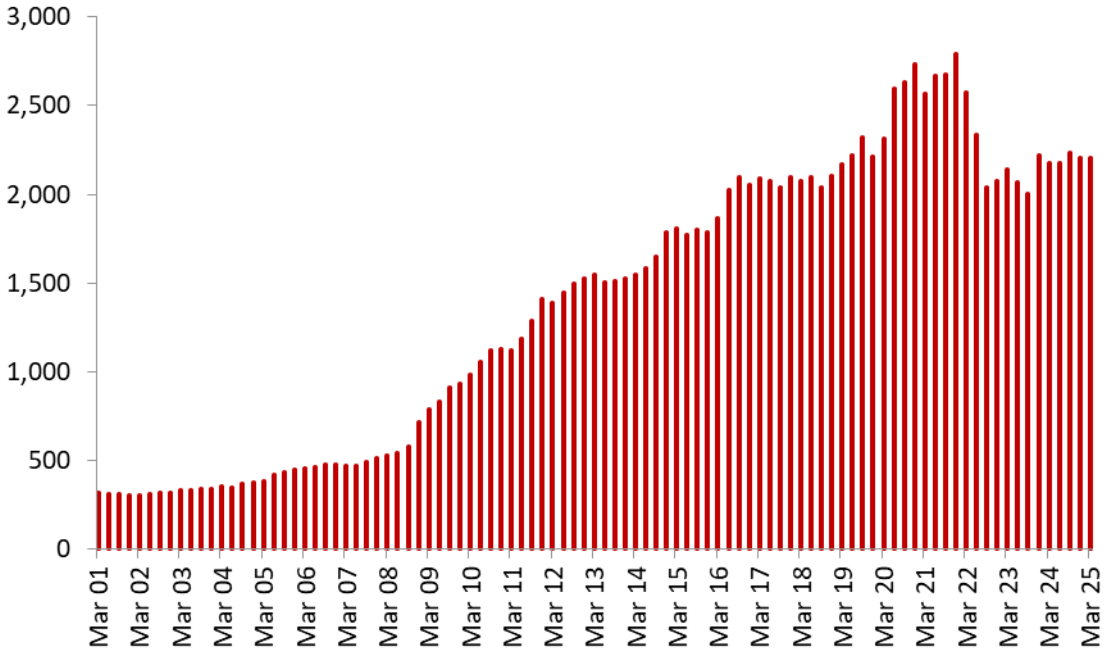
[8] These data cover only those transactions conducted by GEMMs and are, therefore, not wholly comprehensive in terms of turnover in the entire gilt market. Nevertheless, they should represent a significant proportion of total transaction volume.

Chart 9: GEMM gilt market turnover (cash terms) 2000-01 to 2024-25 (£ billion)



Source: GEMMs

Chart 10: Growth in the size of the gilt market (market value) 2000-01 to 2024-25 (£ billion)



Source: DMO

Chapter 2
Government debt management

The government's approach to debt management is underpinned by the debt management framework, which is published by HM Treasury in the annual Debt Management Report[9].

DMO's financing remit for 2024-25

The DMO's initial gilt financing remit for 2024-25 was announced at Spring Budget on 6 March 2024, with planned gilt sales of £265.3 billion. It was planned that these sales would be delivered via 73 gilt auctions and seven syndications. It was announced that green gilt sales of £10.0 billion were planned for 2024-25 with an expectation that sales would focus on re-openings of the existing two green gilts.

The structure of the original gilt financing remit for 2024-25 is summarised in Table 2.

Table 2: Original planned remit for 2024-25 (Spring Budget 2024)

(£ billion proportions in brackets)	Auction	Syndication	Gilt tender	Unallocated	Total
Short	95.3	-	-	-	95.3 (35.9%)
Medium*	73.6	8.5	-	-	82.1 (30.9%)
Long*	35.5	13.5	-	-	49.0 (18.5%)
Index-linked	19.9	9.0	-	-	28.9 (10.9%)
Unallocated	-	-	-	10.0	10.0 (3.8%)
Total	**224.3 (84.5%)**	**31.0 (11.7%)**	**- -**	**10.0 (3.8%)**	**265.3**

Figures may not sum due to rounding.

*Medium and long conventional gilt sales include green gilt sales.

Source: DMO

It was announced at Spring Budget 2024 that Treasury bill issuance was expected to make a zero net contribution to debt financing in 2024-25.

The DMO's 2024-25 remit was revised on 23 April 2024 alongside the publication of the outturn for the Central Government Net Cash Requirement (excluding NRAM ltd, Bradford & Bingley and Network

[9] The debt management framework is contained within Chapter 2 of the Debt Management Report 2025-26, which can be accessed at: https://www.dmo.gov.uk/media/a40he01n/drmr2526.pdf.

Rail) (CGNCR ex NRAM, B&B and NR) in 2023-24. A £12.4 billion increase in planned gilt sales was announced, which was absorbed mainly by an increase in the gilt auction programme.

Planned gilt sales increased from £265.3 billion to £277.7 billion, achieved by:

- an increase of £5.4 billion in sales of short conventional gilts via auctions;
- an increase of £3.9 billion in sales of medium conventional gilts via auctions;
- an increase in £1.0 billion in sales of long conventional gilts via auctions;
- an increase of £1.1 billion in sales of index-linked gilts via auctions; and
- an increase of £1.0 billion in the unallocated portion of gilt issuance.

Hence, an £11.4 billion was added to the gilt auction programme at this remit revision. Four additional auctions were planned, with one extra auction each of a short, medium, and long conventional gilt, as well as an additional auction of an index-linked gilt.

There were no changes to the planned syndication programme in 2024-25 alongside the 23 April 2024 announcement. The size of planned green gilt issuance (£10.0 billion) was also unchanged.

There was no change to the planned contribution of Treasury bills for debt management purposes in 2024-25, which remained at zero.

The structure of the gilt financing remit for 2024-25 published at the first in-year revision is summarised in Table 3.

Table 3: Revised planned remit for 2024-25 (April 2024)

(£ billion proportions in brackets)	Auction	Syndication	Gilt tender	Unallocated	Total
Short	100.7	-	-	-	100.7 (36.3%)
Medium*	77.5	8.5	-	-	86.0 (31.0%)
Long*	36.5	13.5	-	-	50.0 (18.0%)
Index-linked	21.0	9.0	-	-	30.0 (10.8%)
Unallocated	-	-	-	11.0	11.0 (4.0%)
Total	**235.7 (84.9%)**	**31.0 (11.2%)**	**- -**	**11.0 (4.0%)**	**277.7**

Figures may not sum due to rounding.

*Medium and long conventional gilt sales include green gilt sales.

Source: DMO

At Autumn Budget 2024, which took place on 30 October 2024, the DMO's Net Financing Requirement (NFR) for 2024-25 was increased by £22.2 billion to £299.9 billion relative to the previous remit revision in April 2024. This increase was managed by increased gilt sales of £19.2 billion and an increase in the net contribution of Treasury bills for debt management purposes from zero to £3.0 billion.

Planned gilt sales increased from £277.7 billion to £296.9 billion relative to the April 2024 remit revision, achieved by:

- an increase of £3.1 billion in sales of short conventional gilts (£1.2 billion via auction and £1.9 billion via gilt tender);
- an increase of £6.0 billion in sales of medium conventional gilts (via a £10.9 billion increase in syndications and a £4.9 billion reduction in auctions);
- an increase of £9.2 billion in sales of long conventional gilts (£3.9 billion via auction and £5.3 billion via syndication)[10];
- an increase of £3.4 billion in sales of index-linked gilts (£0.5 billion via auction and £2.9 billion via syndication); and
- a reduction in the unallocated portion of issuance of £2.5 billion[11].

A total of £0.7 billion was transferred to the gilt auction programme. The total number of planned auctions stayed the same at this remit revision. However, one medium conventional gilt auction was cancelled, and one long conventional gilt auction was added.

£19.1 billion[12] was added to the syndication programme relative to the April 2024 remit revision and an additional medium conventional gilt syndication was planned for Q4 2024-25.

There was no change to the planned size of green gilt issuance, which remained at £10.0 billion.

[10] Part of the increase in long conventional issuance was to restore the size of the auction and syndication programmes in this maturity sector following strong demand at these operations. Average take-up of the post auction option facility (PAOF) of 21.1% out of a possible 25% at long conventional auctions prior to Autumn Budget 2024 resulted in a fall in the average size of non-green long auctions from £2.4 billion at the April 2024 remit revision to £1.8 billion prior to Autumn Budget 2024. This gave the DMO scope modestly to re-adjust average long auction sizes back up to their levels at Spring Budget 2024. Proceeds raised at the long conventional syndication in September 2024 reduced the amount left in the long conventional syndication programme to £1.2 billion. To permit a viable final long conventional syndication later in 2024-25, the DMO upsized this programme to £4.5 billion.

[11] At the April 2024 remit revision, the unallocated portion of issuance was £11.0 billion. Prior to Autumn Budget 2024, a total of £7.9 billion had been drawn down, leaving a remaining size of £3.1 billion. The size of the unallocated portion of gilt issuance was increased by £5.4 billion at Autumn Budget 2024 relative to its position prior to the remit revision. However, this represented a decrease of £2.5 billion compared to the size of the unallocated portion at the April 2024 remit revision.

[12] Some of this increase had already been realised due to the upsizing of syndications throughout 2024-25, with transfers from the unallocated portion of issuance to the syndication programme totalling £6.0 billion prior to Autumn Budget 2024. £13.1 billion was added to the syndication programme relative to the position prior to the remit revision at Autumn Budget 2024.

Table 4: Revised planned remit for 2024-25 (Autumn Budget 2024)

(£ billion proportions in brackets)	Auction	Syndication	Gilt tender	Unallocated	Total
Short	101.9	-	1.9	-	103.8 (35.0%)
Medium*	72.6	19.4	-	-	92.0 (31.0%)
Long*	40.4	18.8	-	-	59.2 (19.9%)
Index-linked	21.5	11.9	-	-	33.4 (11.2%)
Unallocated	-	-	-	8.5	8.5 (2.9%)
Total	**236.4 (79.6%)**	**50.1 (16.9%)**	**1.9 (0.6%)**	**8.5 (2.9%)**	**296.9**

Figures may not sum due to rounding.

*Medium and long conventional gilt sales include green gilt sales.

Source: DMO

The outturn for gilt sales in 2024-25 was £297.7 billion (£0.8 billion above the remit plan). The details are shown in Table 5. Green gilt issuance raised a total of £10.0 billion (cash).

Table 5: Gilt sales outturn 2024-25

(£ million)	Conventional gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction proceeds	91,731	67,859	34,672	19,175	213,437
PAOF proceeds	8,707	3,085	5,510	2,069	19,370
Auction and PAOF proceeds	**100,437**	**70,944**	**40,182**	**21,244**	**232,807**
Syndication sales	0	23,841	22,239	13,250	59,330
Gilt tender sales	5,265	0	0	270	5,535
Total gilt sales	**105,702**	**94,785**	**62,421**	**34,765**	**297,673**
Number of auctions held	23	20	18	16	77
Syndications held	-	2	3	3	8
Gilt tenders held	3	-	-	1	4
Total planned gilt sales	**-**	**-**	**-**	**-**	**296,900**

Figures may not sum due to rounding.

Source: DMO

The outturn delivery of the remit by the different distribution methods is compared with outturn remits since 2007-08 in Table 6.

Table 6: Remit delivery by distribution method since 2007-08

	Cash raised (£billion) via			Total gilt sales (£billion)	Cash raised (%) via		
	Auctions*	Syndications	Tenders		Auctions*	Syndications	Tenders
2007-08	58.5	0.0	0.0	58.5	100.0%	0.0	0.0
2008-09	138.3	0.0	8.1	146.5	94.4%	0.0	5.6%
2009-10	187.0	30.5	10.1	227.6	82.2%	13.4%	4.4%
2010-11	133.1	26.9	6.3	166.4	80.0%	16.2%	3.8%
2011-12	142.5	34.5	2.6	179.4	79.4%	19.2%	1.4%
2012-13	126.0	32.8	6.3	165.1	76.3%	19.9%	3.8%
2013-14	124.5	23.3	5.6	153.4	81.2%	15.2%	3.7%
2014-15	105.6	19.6	1.2	126.4	83.5%	15.5%	0.9%
2015-16	99.5	26.6	1.7	127.7	77.9%	20.8%	1.3%
2016-17	112.0	33.0	2.6	147.6	75.9%	22.4%	1.8%
2018-19	79.4	19.2	0.0	98.6	80.5%	19.5%	0.0%
2019-20	115.1	20.4	2.4	137.9	83.5%	14.8%	1.7%
2020-21	429.5	52.3	3.9	485.8	88.4%	10.8%	0.8%
2021-22	151.6	43.0	0.0	194.7	77.9%	22.1%	0.0%
2022-23	144.1	24.0	1.4	169.5	85.0%	14.1%	0.8%
2023-24	204.5	34.3	0.3	239.1	85.6%	14.3%	0.1%
2024-25	**232.8**	**59.3**	**5.5**	**297.7**	**78.2%**	**19.9%**	**1.9%**

** includes post auction option facility (PAOF) proceeds.*

Figures may not sum due to rounding.

Source: DMO

Pace of financing in 2024-25

As shown in Table 7, gilt sales in April, June and July 2024 averaged around £27.7 billion, with a decline in May 2024 owing mostly to operations which typically raise less cash (including two auctions of green gilts and two auctions of index-linked gilts). Monthly sales were lower in August 2024 – because of seasonally lower market liquidity in this month – before picking up in September and October 2024. Monthly gilt sales declined towards the end of the 2024 calendar year, with average monthly sales in November and December 2024 of £17.5 billion. Sales picked up in the final quarter of the year with average proceeds of £29.3 billion per month.

Table 7: Monthly gilt sales in 2024-25 (cash proceeds)

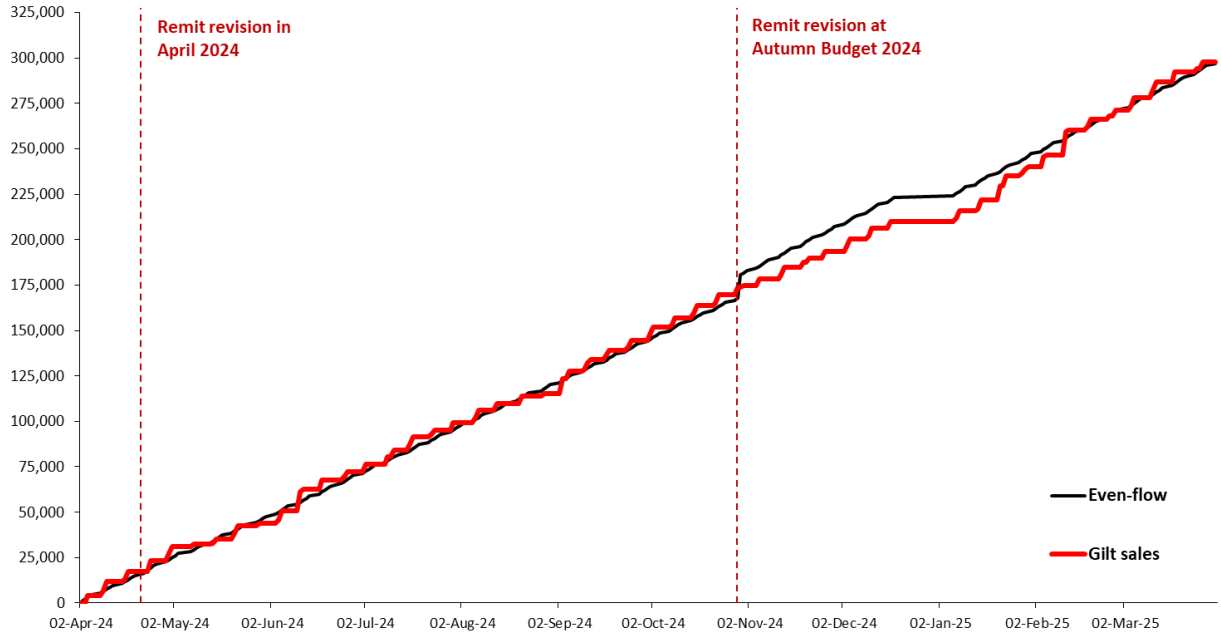
Month	Gilt sales (£billion)	% of total	Cumulative (£billion)
Apr-24	27.4	9.2%	27.4
May-24	16.4	5.5%	43.9
Jun-24	28.3	9.5%	72.2
Jul-24	27.3	9.2%	99.4
Aug-24	15.9	5.4%	115.4
Sep-24	29.4	9.9%	144.7
Oct-24	30.0	10.1%	174.7
Nov-24	18.9	6.4%	193.6
Dec-24	16.1	5.4%	209.8
Jan-25	30.4	10.2%	240.2
Feb-25	31.1	10.5%	271.3
Mar-25	26.4	8.9%	297.7

Figures may not sum due to rounding.

Source: DMO

Chart 11 shows how these sales accumulated over the financial year towards the final gilt sales outturn, relative to a counterfactual even-flow delivery of that outturn.

Chart 11: Cumulative gilt financing over 2024-25 (£ million)[13]



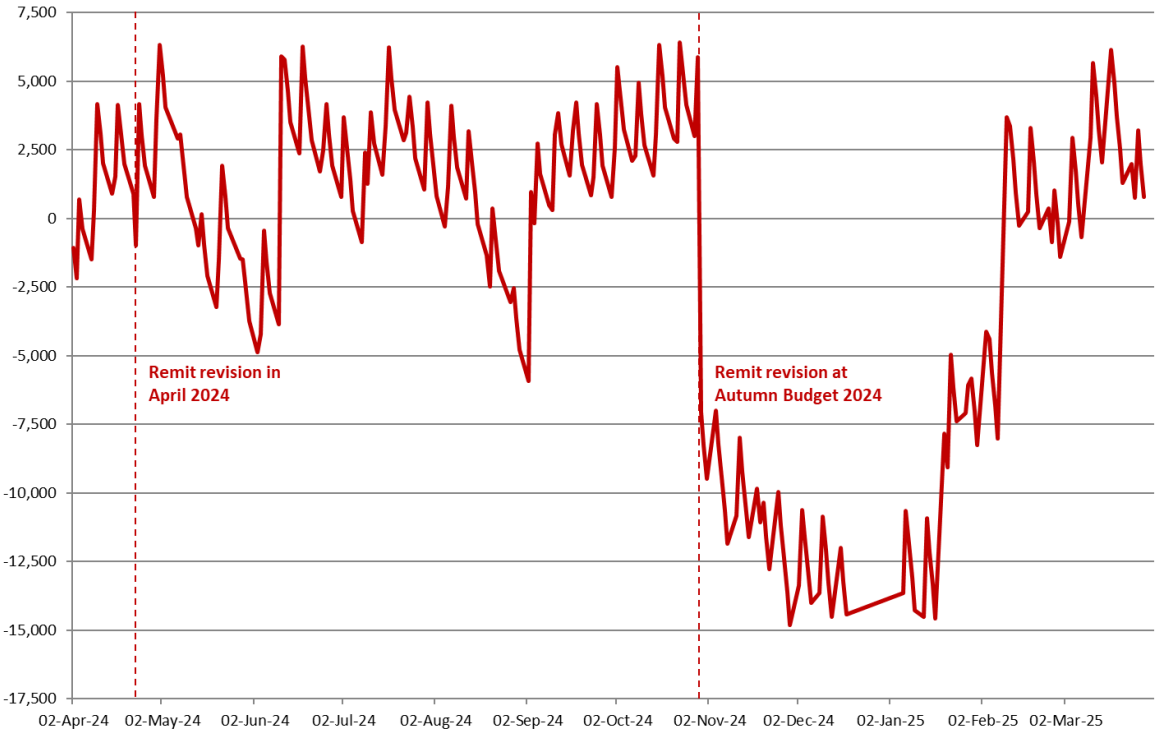
Source: DMO

Chart 12 shows in more detail the cumulative proceeds from all gilt sales operations compared with a counterfactual even-flow pace of financing required to deliver the final gilt sales total in 2024-25. Over the first seven months of the year, cumulative financing was mostly above the even-flow position, with

[13] The flatness in the even-flow position in late December and early January in Chart 11 is due to an assumption that gilt sales will not take place over the Christmas and New Year period.

slight dips below even-flow in May and August 2024. Large syndication proceeds in June and September 2024 strongly increased the even-flow position. A sharp decline in cumulative proceeds relative to even-flow took place in October 2024 as a result of an increase in the financing requirement in the remit revision at Autumn Budget 2024. This position continued at between -£10 billion and -£15 billion until a large increase in January and again in February 2025 – both due to high syndication proceeds. The pace of financing thereafter meant that the DMO remained ahead of the even-flow rate for the remainder of the financial year.

Chart 12: Cumulative gilt financing relative to the even-flow position[14] over 2024-25 (£ million)



Source: DMO

The gilt financing arithmetic

The initial financing arithmetic for 2024-25, as published at Spring Budget 2024, was restated as usual in the remit revision announcement published in April 2024 reflecting CGNCR ex NRAM, B&B and NR[15] outturn for 2023-24, and again at Autumn Budget in October 2024. Developments in the 2024-25 financing arithmetic are shown in Table 8.

[14] The even-flow counterfactual assumes that the same amount of cash is raised on every business day sufficient to meet the final total annual gilt sales requirement.
[15] Central Government Net Cash Requirement (excluding NRAM ltd, Bradford and Bingley, and Network Rail).

Table 8: The 2024-25 financing arithmetic[16]

(£ billion)	Spring Budget 2024	April 2024 revision	Autumn Budget 2024	April 2025 outturn
CGNCR (ex NRAM, B&B and NR)	142.8	142.8	165.1	180.5
Gilt redemptions	139.9	139.9	139.9	139.9
Financing adjustment carried forward from previous financial years	-5.9	6.5	6.5	6.5
Gross financing requirement	**276.8**	**289.2**	**311.5**	**326.9**
less:				
NS&I net financing	9.0	9.0	9.0	9.8
NS&I Green Savings Bonds	0.5	0.5	0.5	-0.1
Other financing[17]	2.0	2.0	2.1	5.1
Net financing requirement (NFR) for the DMO	**265.3**	**277.7**	**299.9**	**312.2**
DMO's NFR will be financed through:				
a) Gilt sales of which:	**265.3**	**277.7**	**296.9**	**297.9**
Short conventional gilts	95.3	100.7	103.8	105.7
Medium conventional gilts	82.1	86.0	92.0	94.8
Long conventional gilts	49.0	50.0	59.2	62.4
Index-linked gilts	28.9	30.0	33.4	34.8
Unallocated amount of gilts	10.0	11.0	8.5	0.0
b) Total net contribution of Treasury bills for debt financing	**0.0**	**0.0**	**3.0**	**3.0**
Total financing	**265.3**	**277.7**	**299.9**	**300.6**
DMO net cash position	2.3	2.3	2.3	-9.3

Source: DMO

[16] Figures may not sum due to rounding.
[17] Prior to publication of the end-year outturn in April each year, this financing item will mainly comprise estimated revenue from coinage. At outturn it will include outturn revenue from coinage and additional financing through non-governmental deposits, certificates of tax deposit and foreign exchange transactions relating to the Exchange Equalisation Account.

Gilt financing operations

The DMO held a total of 89 financing operations in 2024-25, 12 more than in the previous financial year. In addition, the Post Auction Option Facility (PAOF) was activated, in whole or in part, at 44 of the 71 non-green gilt auctions[18]; including these transactions, there was a total of 133 gilt sales operations in 2024-25. The history of DMO outright gilt sales operations is shown in Table 9.

Table 9: DMO outright gilt sales operations from 1998-99 to 2024-25

	Auctions	Syndications	Tenders*	Taps**	Residual tenders***	Total	Gilt sales (£ billion)[19]
1998-99	4			4		8	8.2
1999-00	8			1	1	10	14.4
2000-01	7					7	10.0
2001-02	8					8	13.7
2002-03	13				1	14	26.3
2003-04	24					24	49.9
2004-05	26					26	50.1
2005-06	25	1				26	52.3
2006-07	36					36	62.5
2007-08	34					34	58.5
2008-09	58		8			66	146.5
2009-10	58	6	12		1	77	227.6
2010-11	49	5	7			61	166.4
2011-12	49	8	3			60	179.4
2012-13	44	8	4			56	165.1
2013-14	43	5	4			52	153.4
2014-15	41	4	1			46	126.4
2015-16	39	6	2			47	127.7
2016-17	48	7	3			58	147.6
2017-18	40	5	1			46	115.5
2018-19	36	4				40	98.5
2019-20	43	5	4			52	137.9
2020-21	150	7	2			159	485.8
2021-22	64	7				71	194.7
2022-23	59	6	1			66	169.5
2023-24	69	7	1			77	239.1
2024-25	77	8	4			89	297.7

Mini-tenders from 2008-09 to 2015-16. Gilt tenders thereafter.

****Index-linked taps in 1998-99. Tap for market management in 1999-2000.***

***** Tenders of residual stock from uncovered auctions.***

Source: DMO

[18] 77 gilt auctions took place in 2024-25. Six of these were for green gilts at which the Post Auction Option Facility is not available.

[19] Including proceeds from the Post Auction Option Facility.

Gilt auctions

Auctions (including associated PAOF proceeds) accounted for £232.8 billion or 78.2% of gross gilt sales in 2024-25. Of the 77 auctions held, 23 were for short, 20 for medium, and 18 for long conventional gilts, and 16 were for index-linked gilts[20].

The average cover ratio at gilt auctions in 2024-25 was 3.18x, an increase on the average of 2.78x in 2023-24. The average concentration of bidding at conventional gilt auctions, as measured by the tail[21], averaged 0.6bp, a slight decrease from an average tail of 0.7bp in the previous financial year. Details are shown in Table 10.

Table 10: Gilt auction cover and tail in 2023-24 and 2024-25

	Average cover ratio (x)		Average yield tail (bp)	
	2024-25	**2023-24**	**2024-25**	**2023-24**
Short conventional	3.18	2.70	0.6	0.8
Medium conventional	3.10	2.85	0.8	0.7
Long conventional	3.16	2.73	0.4	0.7
Index-linked	3.28	2.85	N/A	N/A
All	**3.18**	**2.78**	**0.6**	**0.7**

Source: DMO

Post Auction Option Facility

PAOF was taken up in whole or in part at 44 of the 77 auctions held in 2024-25, raising £19.4 billion. The rate of take-up declined compared with 2023-24, although total proceeds raised in cash terms only fell slightly. Recent PAOF performance is summarised in Table 11.

Table 11: PAOF performance from 2020-21 to 2024-25

	Rate (%)	Take-up (%)	Take-up rate* (%)	Proceeds (£ billion)
2020-21	25.0	13.1	52.4	49.6
2021-22	25.0	12.1	48.4	16.4
2022-23	25.0	11.9	47.5	15.3
2023-24	25.0	11.2	44.9	20.7
2024-25	25.0	9.1	36.3	19.4

*The percentage of total available PAOF that was taken up in the financial year.

Source: DMO

Syndicated offerings

Eight syndicated offerings were held in 2024-25, raising £59.3 billion or 19.9% of gross gilt sales. The results of the syndication programme in 2024-25 are summarised in Table 12.

[20] The results of gilt auctions and other operations are available on the DMO website at: https://www.dmo.gov.uk/data/gilt-market/results-of-gilt-operations/.

[21] The tail is the difference in basis points between the yield at the average and lowest accepted prices at multiple price auctions (conventional gilts only).

Table 12: Syndications in 2024-25

Date	Gilt	Size (£million nominal)	Issue Price (£)	Issue Yield (%)	Proceeds (£million cash)
24 Apr 2024	4⅜% Treasury Gilt 2054	6,750	93.52	4.782	6,301
11 Jun 2024	4¼% Treasury Gilt 2034	11,000	99.23	4.344	10,899
09 Jul 2024	1¼% Index-linked Treasury Gilt 2054	4,500	95.73	1.424	4,378
03 Sep 2024	4⅜% Treasury Gilt 2040	8,000	100.35	4.344	8,014
26 Nov 2024	1¼% Index-linked Treasury Gilt 2054	4,250	92.39	1.569	4,025
21 Jan 2025	4⅜% Treasury Gilt 2040	8,500	93.38	5.008	7,924
11 Feb 2025	4½% Treasury Gilt 2035	13,000	99.71	4.536	12,942
11 Mar 2025	1⅞% Index-linked Treasury Gilt 2049	5,000	97.14	2.023	4,847
Total					**59,330**

Source: DMO

Green gilt issuance

Green gilt issuance in the financial year 2024-25 raised a total of £10.0 billion (cash) across six auctions (Table 13). This was the fourth year of the government's Green Financing Programme (the Programme). The focus was on continuing to re-open the existing medium and long maturity green gilts first issued in 2021 in order to build up liquidity in these gilts further. At the end of 2024-25, these gilts had a combined £64.0 billion nominal in issue (£37.0 billion for 0⅞% Green Gilt 2033 and £26.9 billion for 1½% Green Gilt 2053).

Table 13: Green gilt issuance in 2024-25

Date	Gilt Name	Operation	Cash Proceeds (£ million)	Cover ratio (x)
08-May-24	1½% Green Gilt 2053	Auction	1,275	3.26
15-May-24	0⅞% Green Gilt 2033	Auction	2,270	3.52
18-Sep-24	0⅞% Green Gilt 2033	Auction	2,162	3.55
31-Oct-24	1½% Green Gilt 2053	Auction	1,092	3.15
29-Jan-24	0⅞% Green Gilt 2033	Auction	2,243	3.10
05-Feb-24	1½% Green Gilt 2053	Auction	947	3.20

Source: DMO

Publication of the Green Financing Allocation Report

In line with its reporting commitments, the government published its third Allocation Report on 17 October 2024. This report presented allocation data from 39 expenditures financed by the Programme in financial year 2023-24[22].

Spring Statement 2025

As announced alongside Spring Statement 2025, green gilt issuance of £10.0 billion (cash) is planned in 2025-26, which will be the fifth year of the Programme. The DMO expects that the focus of green gilt issuance in the first half of financial year 2025-26 will continue to be on further re-openings of the two existing green gilts. This approach will be kept under review taking into account market conditions. It is expected that further announcements about green gilt issuance may be made later in the financial year.

All reports and documents relating to green gilts are available in the Green Gilts section of the DMO website[23].

[22] https://www.gov.uk/government/publications/uk-government-green-financing-allocation-report-2024.
[23] https://www.dmo.gov.uk/responsibilities/green-gilts/.

The DMO's financing remit in 2025-26

The DMO's financing remit for 2025-26 was published alongside Spring Statement 2025 on 26 March 2025. Planned gilt sales of £299.2 billion were announced, including £10.0 billion of green gilt sales, and an unallocated portion of £27.5 billion for issuance of any type or maturity of gilt (with the exception of green gilts). In addition, it was announced that planned Treasury bill sales for debt management purposes would make a net contribution of £5.0 billion towards meeting the NFR in 2025-26.

The 2025-26 financing remit was revised on 23 April 2025, alongside the publication of the 2024-25 outturn CGNCR ex NRAM, B&B and NR. The planned net contribution of Treasury bills for debt management purposes rose to £10.0 billion, and there was a slight decrease in gilt sales (by £0.1 billion). This was made up of a £10.4 billion decrease in the sale of long conventional gilts, which was mostly offset by an increase of £5.6 billion in the sale of short conventional gilts and a £4.7 billion increase in the unallocated portion of issuance.

Programmatic gilt tenders were introduced as part of the 2025-26 financing remit to assist with the delivery of the financing remit. It is envisaged that these operations will typically involve the sale of "off-the-run" gilts[24]. In Annex 2 of the Q1 2025-26 gilt operations calendar announcement published on 4 April 2025[25], the DMO noted that it "…*will consider a range of factors in deciding the gilt to be offered at each individual tender, including feedback about demand and market conditions, as well as broader debt management considerations (including the cash amount raised, value for money, and the impact of issuance on the near-term redemption profile)*".

[24] In this context an 'off-the-run' gilt is any gilt that is not currently being built up to benchmark size as part of the current regular issuance programme.
[25] This can be accessed at: https://www.dmo.gov.uk/media/wdeg2li0/pr040425.pdf.

Chapter 3
Debt management performance analysis

The information presented in this chapter aims to provide a summary of debt management performance across 2024-25. This new initiative is designed to enhance performance measurement and reporting practices, both by explicitly identifying pillars against which to assess performance and consolidating key metrics into one principal performance section within the DMO's Annual Review. Including this new section ensures that the evaluation of the UK's debt management performance remains transparent, aligned with the evolving landscape of global best practices and capable of adapting to relevant developments.

This section will refer to three pillars against which the DMO aims to assess debt management performance:

I. in delivery of the annual financing remit;
II. towards minimisation of the cost of financing over the long term; and
III. in relation to risks associated with debt issuance.

The analysis presented at the end of this chapter sets out a counterfactual exercise designed to demonstrate performance against a set of alternative issuance scenarios, highlighting the different trade-offs between cost and risk.

Together, these pillars are designed to capture the government's performance against the different challenges associated with debt management.

Box 1: Value for money considerations in the delivery of the DMO's financing remit

The government defines value for money (VfM) for the taxpayer as reaching a balanced judgement about the best way to use public resources to deliver policy objectives[26]. In the context of the delivery of the DMO's financing remit, VfM is interpreted in the context of the government's debt management objective, which is: *"to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy"*. The debt management objective determines the overall approach to designing and implementing the annual financing remit. This means that VfM, from the perspective of delivering the financing remit, is pursued with the intention to minimise cost over the long term, while appropriately taking into account risks associated with debt issuance. This involves:

1. Making decisions with a long-term focus

Government's debt management policy is a key tool within fiscal policy. As such, it is important that the government remains able to access capital markets at all times and at reasonable cost. Hence, the government's intention is to maintain a diversified issuance programme across maturities and types of debt instruments in order to attract and retain as diversified an investor base as possible. This approach will help to ensure that the government's access to the market is maintained over the long term by avoiding over-reliance on any one investor type.

[26] This is set out in the HM Treasury publication '*Green Book supplementary guidance: Value for Money*', which can be accessed at: https://assets.publishing.service.gov.uk/media/62443d2c8fa8f5277b365ad7/Green_Book_supplementary_guidance_-_Value_for_Money.pdf.

2. Minimising the long-term costs of meeting the government's financing needs, taking account of risk

Debt management policy is based on the principles of openness, predictability and transparency. The rationale for adherence to these principles is that it will provide a higher degree of certainty to market participants about the supply of gilts, thereby reducing any premium that would otherwise be charged by investors through higher yields to compensate for uncertainty about gilt supply ('uncertainty premium'). For this reason, the government avoids short term strategies that are (or may be perceived to be) opportunistic. In setting the annual financing remit, cost minimisation is also pursued via an assessment of the relative cost-effectiveness of debt instruments of different types and maturities. The DMO analyses the yield curve to determine whether there are any significant medium- or long-term demand factors within particular maturity sectors or between instrument types which may allow the government to achieve cost savings by issuing into these sectors.

The government also considers a range of risks in reaching decisions on the preferred structure of issuance in the annual financing remit and assesses the relative importance of each risk in accordance with its risk appetite which may change over time. These risks are explained in further detail each year in the Debt Management Report[27]. The government has typically followed a well-diversified issuance strategy across conventional and index-linked gilts, which helps to mitigate a number of risks, including refinancing risk.

Once the DMO's financing remit has been set by HM Treasury, the DMO implements the remit through the financial year, within the parameters that have been set out in the remit. When making in-year decisions at a more granular level – for example, choices about individual bonds to issue and operation sizes – the DMO undertakes an analysis of the demand conditions in the gilt market (also taking into account market feedback as appropriate) and implications for the cost of issuance over the long term. This is overlaid with consideration of factors such as: refinancing risk (for example, the implications of issuance choices on the gilt redemption profile); execution risk (the risk that the DMO is not able to sell the offered amount of debt at a particular time, or must sell it at a large discount to the market price); and practical and operational issues (such as a designing a schedule which provides adequate gaps between sales of similar gilts, and avoids issuing gilts on the same days as significant pre-scheduled market events that might increase volatility in the gilt market). Finally, the size of each individual auction is determined by the DMO in the week preceding the transaction in order to take into account up-to-date market information and to tailor sizes appropriately to market conditions, mitigating the execution risk associated with the offering to the extent possible.

Pillar 1: Performance in delivery of the annual financing remit

The DMO is committed to promoting value for money when delivering funding for the government through its objective to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy.

The DMO is committed to adherence to the key principles of openness, predictability and transparency in delivering the annual financing remit on behalf of HM Treasury. The intent behind these principles is to minimise, to the extent possible, the premium[28] which might otherwise be demanded by market participants. In turn, this should achieve greater cost minimisation over the long-term for the Exchequer.

[27] The Debt Management Report 2025-26 can be accessed at: https://www.dmo.gov.uk/media/a40he01n/drmr2526.pdf.

[28] The word 'premium' here is used to describe the additional return demanded by investors over and above the fundamental value of the debt. Premia can also be negative, meaning a discount is achieved by the issuer, in which case the issuer looks to maximise the discount rather than minimise the premium.

In order to demonstrate adherence to these principles, the government has identified a number of ways in which the DMO goes about the activities that are within its scope in delivering the annual financing remit:

1. **Achievement of the gilt financing remit -** An overarching requirement of debt management policy is that the government fully finances its projected financing requirement each year through the sale of debt.

2. **Achievement of gilt financing in accordance with planned issuance splits -** The DMO seeks to issue gilts at different sectors of the yield curve as specified in the financing remit from HM Treasury.

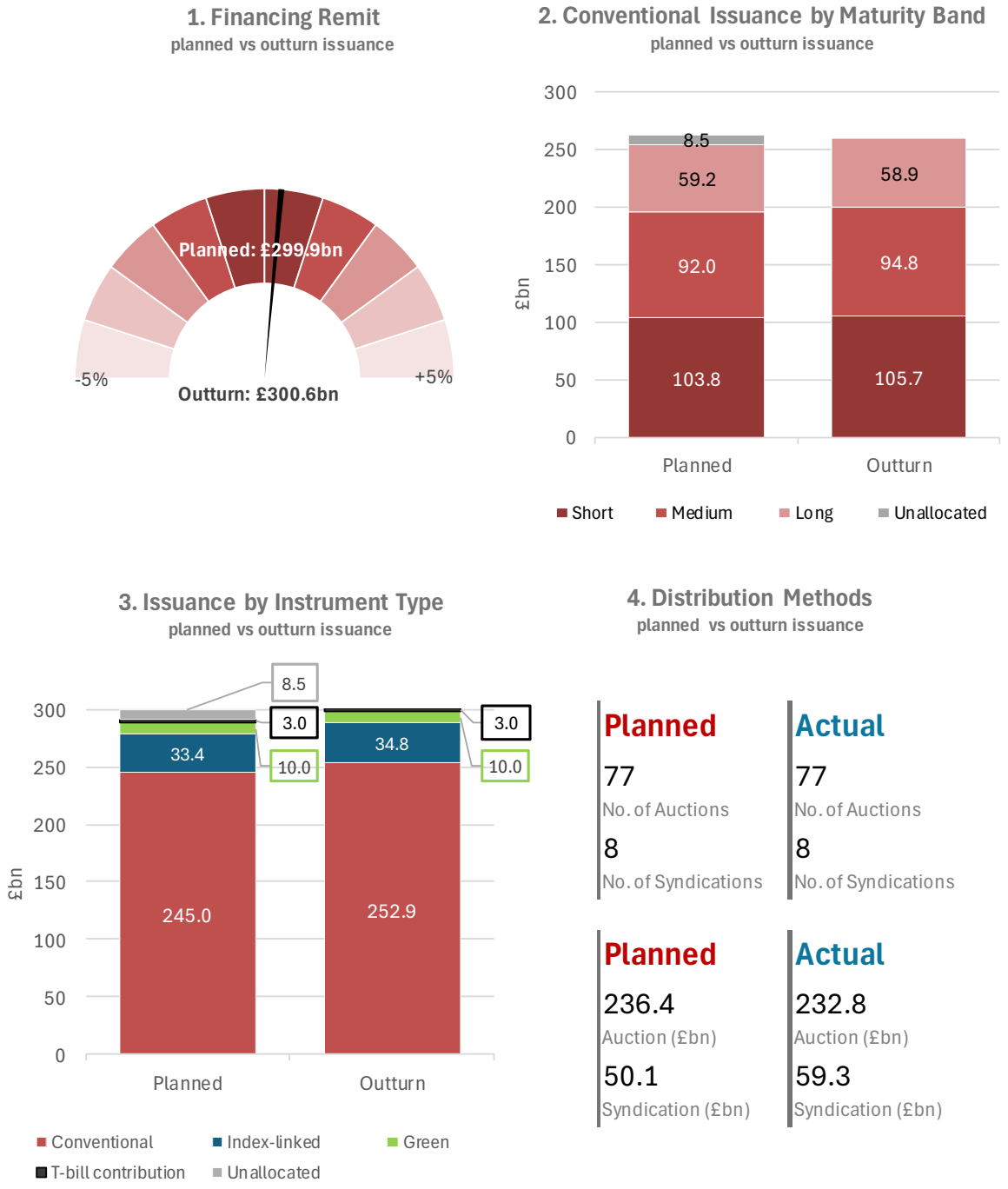
3. **Achievement of issuance in accordance with the planned split between different instruments -** In order to minimise the long-term cost of financing, taking account of risk, the DMO aims to issue across a range of instruments as specified in the financing remit from HM Treasury.

4. **Achievement of issuance via planned distribution methods -** In order to distribute gilts as cost-effectively and smoothly as possible into the market, whilst appropriately managing the risks associated with debt issuance, the DMO plans to issue using a variety of distribution methods as set out in its planning assumptions in the annual financing remit.

5. **Smooth distribution of issuance across the financial year -** To ensure the smooth absorption by investors of the debt instruments issued each year, the DMO seeks to issue gilts evenly across the year, whilst taking into account seasonal periods.

6. **Timeliness in the publication of results from financing operations -** To support the efficient delivery of the financing remit, the DMO aims to report the results of all financing operations in a smooth and timely manner.

Figure 1: DMO key remit performance indicators[29] - planned as at Autumn Budget 2024 versus outturn as at end-March 2025

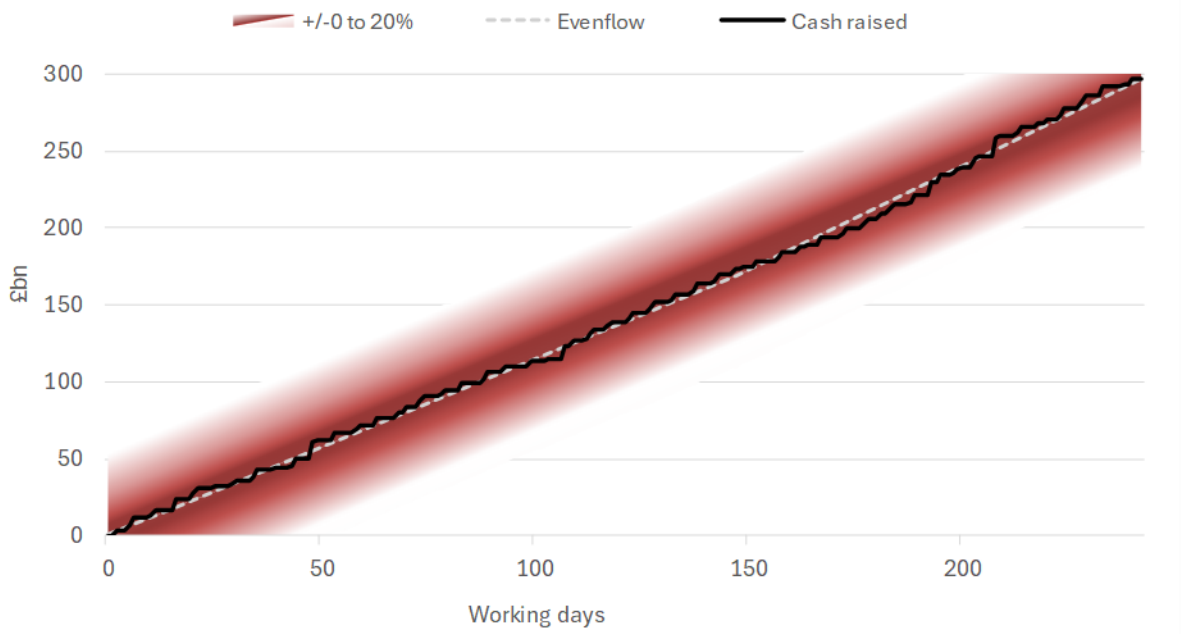


Source: DMO

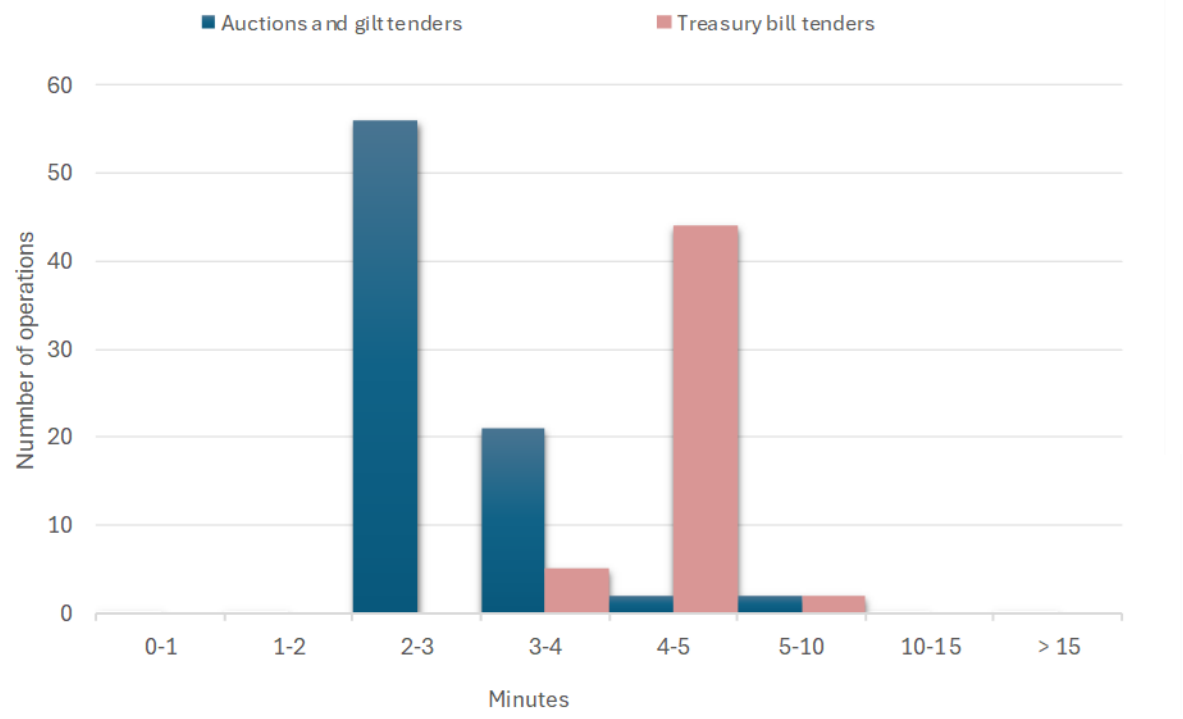
[29] All indicators are based on the final financing remit revision within the financial year, which in 2024-25 was published on 30 October 2024, coinciding with Autumn Budget 2024. The indicator for conventional issuance by maturity band includes the entire £8.5 billion remaining unallocated portion of issuance in the planned issuance column. In outturn only £8.2 billion is included as the remaining £0.3 billion was allocated to index-linked gilts.

Figure 1 (continued): DMO key remit performance indicators

5. Cumulative gilt sales



6. Publication of Auction and Tender Results



Source: DMO

Financing Remit - Results

The DMO ended the financial year on 31 March 2025 having raised via gilt issuance an amount that was within 0.2% of the final gilt sales requirement. Financing was raised smoothly across the year.

1. **Achievement of the gilt financing remit:**
   The gilt sales requirement for 2024-25, published alongside Autumn Budget 2024 on 30 October 2024, was £296.9 billion. By the end of the financial year, the DMO had raised £297.7 billion, which was within 0.2% of the final gilt sales requirement.

2. **Achievement of gilt financing in accordance with planned issuance splits:**
   The DMO's remit set by HM Treasury Ministers set out planned gilt issuance across maturities (for conventional gilts) of £103.8 billion, £92.0 billion and £59.2 billion for short, medium and long conventional gilts respectively. By the end of the financial year, the DMO had raised £105.7 billion, £94.8 billion and £58.9 billion in short, medium and long conventional gilts respectively.

3. **Achievement of issuance in accordance with the planned split between different instruments:**

   Planned gilt sales via conventional gilts (excluding green gilts) were £245.0 billion, and by the end of the financial year the DMO had raised £252.9 billion in these instruments. Planned gilt sales via index-linked gilts were £33.4 billion, and by the end of the year the DMO had raised £34.8 billion in these instruments. The planned increase in the T-bill stock for debt financing purposes was £3 billion, and, by the end of the financial year, the DMO had increased the T-bill stock by £3 billion. Finally, planned green gilt sales were £10.0 billion, and this was achieved in full. At the remit revision at Autumn Budget 2024, the unallocated portion of gilt issuance was £8.5 billion.

4. **Achievement of issuance via planned distribution methods:**
   Planned gilt issuance via auctions was £236.4 billion, and the final amount raised via this method was £232.8 billion. Planned gilt issuance via syndications was £50.1 billion, and the final amount raised via this method was £59.3 billion; this increase was driven by the DMO exercising its discretion to upsize the final conventional and index-linked gilt syndications of the financial year in order to assist with the smooth delivery of the overall financing remit[30].

5. **Smooth distribution of issuance across the financial year:**
   Issuance was raised smoothly across the financial year, with the amount of cash raised never deviating more than 3.0% from the assumed even-flow amount across the financial year.

6. **Timeliness in the publication of results from sales operations:**
   The results of auctions, gilt tenders and Treasury bill tenders were published on a timely basis throughout 2024-25.

[30] As noted in paragraph 16 of the DMO's financing remit 2024-25 published on 6 March 2024 (which can be accessed at: https://www.dmo.gov.uk/media/ljkab3e5/sa060324.pdf), in order to maintain the operational viability of syndicated offerings at the end of each programme, the overall size of the syndication programmes (conventional, and/or index-linked) may be increased by up to 10% (in cash terms) of the total size of the respective planned syndication programme at the time of the final syndicated offering of each type.

Pillar 2 - Performance in pursuit of minimisation of the cost of financing over the long term

Various cost indicators are monitored over time. In 2024-25, the average issuance yield on gilts increased to 4.3% from 4.1% the previous financial year, reflecting moves in global interest rates.

The government's debt management objective is: *'to minimise, over the long term, the costs of meeting the government's financing needs, taking account of risk, while ensuring that debt management policy is consistent with the aims of monetary policy'*. This pillar focusses on the cost aspect of the debt management objective.

The challenges of producing a single, robust performance metric for debt management are well understood by the DMO and by peer sovereign issuers. The outcomes of debt management are generally subject to significant external influences, including fiscal and monetary policies and macroeconomic conditions, which lie outside of the DMO's control.

However, the government nevertheless monitors a range of indicators that are used to help track overall performance against the debt management objective. Even though a number of these indicators may lie outside the control of the DMO, the government recognises the importance of tracking them over time to see how they are changing as a result of the financing strategies employed.

In terms of costs, the following indicators are tracked, with the results shown in Charts 13 and 14. Bank Rate is also shown in the charts to provide context on the general level of short-term interest rates:

Cost indicators

- **Average issuance yield** – Is a measure of the cost of borrowing for a financial year, calculated as the cash weighted yield at issue of gilts issued per financial year.

  In order to calculate the average issuance yield, it is necessary to convert the real yield achieved at issue on an index-linked bond to a nominal equivalent yield. To do this, a Consumer Prices Inflation (CPI) inflation rate plus an RPI-CPI wedge of 0.9 percentage points (pp)[31] is used up until RPI reform is due to take place in February 2030, and a wedge of 0.4pp[32] is used thereafter.

- **Portfolio effective interest rate (EIR)** – Is a measure of the cost of borrowing for the whole gilt portfolio, calculated as the average yield at issue of each tranche of issuance in the gilt portfolio at the calculation date, weighted by the amortised cost using the EIR method. This method is outlined in International Financial Reporting Standard 9 (IFRS9) and is used to spread the premium or discount at issue in a way that reflects the true interest expense over the life of the bond.

  For a single conventional bond issued at par the EIR would be equal to the bond's redemption yield at the time of issue. This EIR applies throughout the bond's life.

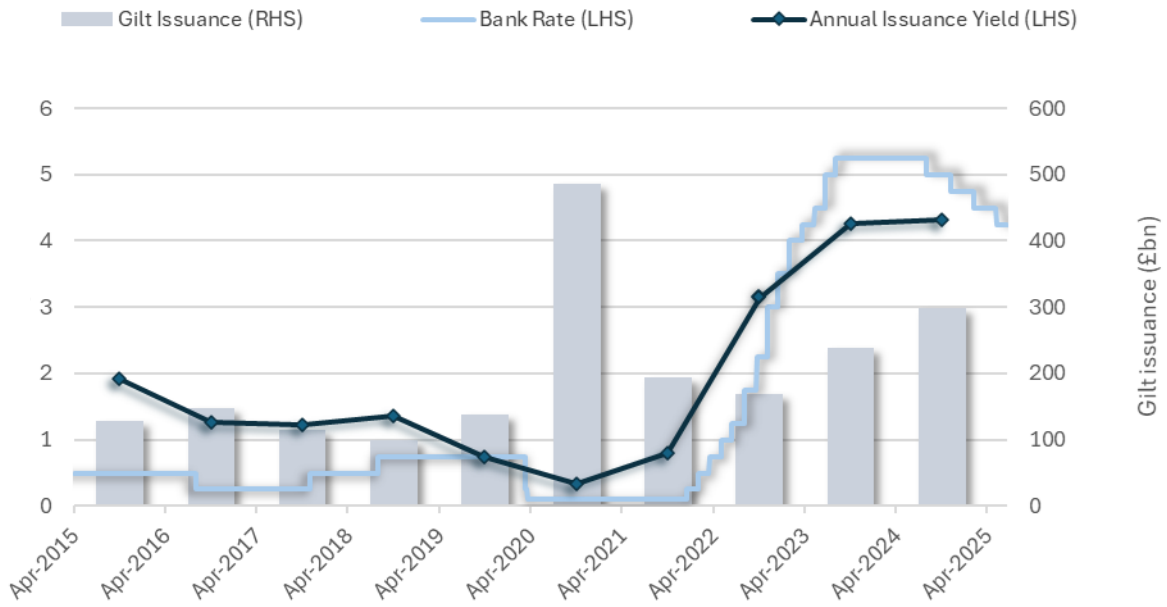
  In order to calculate the effective interest of an index-linked bond it is necessary to convert the real yield achieved at issue into a nominal equivalent yield. As the true nominal yield cannot be known with certainty until maturity, an assumption must be made for future inflation. For simplicity, it is common practice under IFRS9 to use current inflation as an estimate of future inflation. Ordinarily this would not have a significant impact on a bond's EIR. However, in periods of high (low) inflation this can cause a sharp increase (decrease) in the EIR.

[31] This is in line with the assumption for the RPI-CPI inflation wedge made by the Office for Budget Responsibility (OBR). More information can be found in Box 2.3 of the OBR's '*Forecast evaluation report*' (published in December 2019), which can be accessed at: https://obr.uk/docs/dlm_uploads/Forecast_evaluation_report_December_2019-1.pdf.

[32] This is in line with the latest OBR assumption for the RPI-CPI inflation wedge after the implementation of RPI reform. More information can be found in Box 2.3 of the '*Economic and fiscal outlook*' report published alongside Autumn Budget 2024 on 30 October 2024, which can be accessed at: https://obr.uk/box/the-long-run-difference-between-rpi-and-cpi-inflation/.

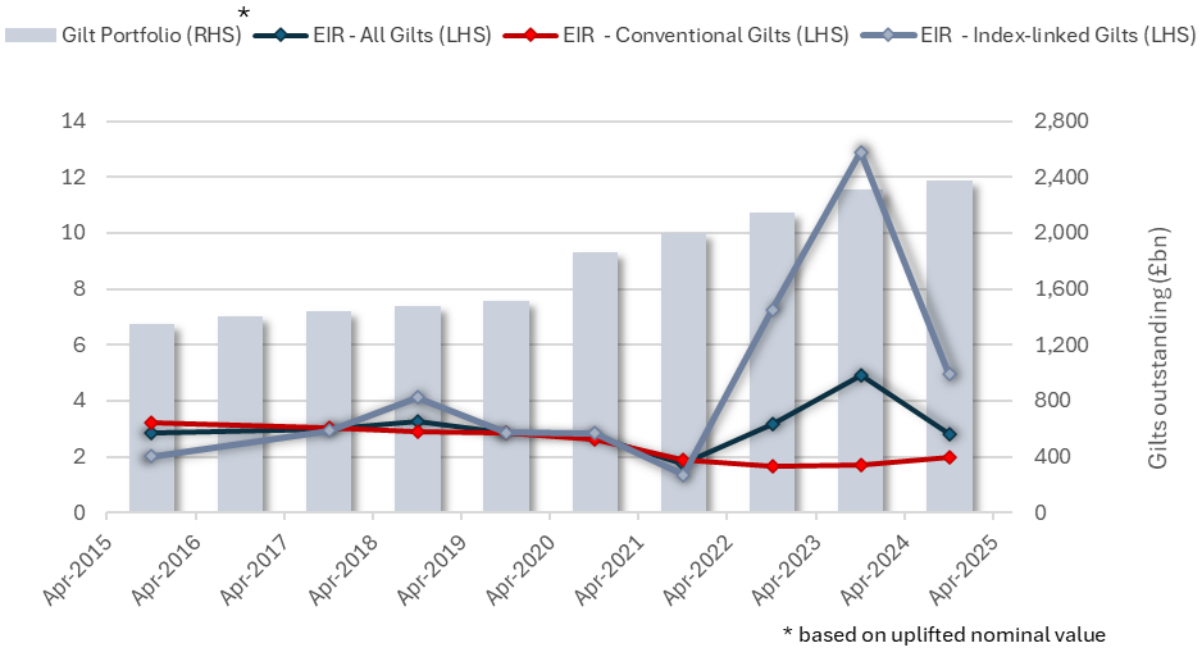
The overall portfolio EIR is a weighted average based on the bond's carrying value which is equal to the present value of each bond's future cashflows discounted at the EIR.

Chart 13: Average Gilt Issuance Yield (%)



Source: DMO

Chart 14: Gilt Portfolio Effective Interest Rate (%)



Source: DMO

Cost indicators – results

As shown in Chart 13, the average issuance yield decreased from 2.0% to 0.4% from 2015-16 to 2020-21, narrowing the spread to Bank Rate throughout the period. Between 2021-22 and 2023-24, the average issuance yield increased sharply, largely in line with both Bank Rate and global interest rates, although average yields have remained slightly below the central bank policy rate, in contrast to the period prior to 2020.

In 2024-25, the average issuance yield increased to 4.3%, slightly higher than the rate realised in 2023-24 (4.1%), which reflects the gradual increase in global interest rates.

Chart 14 shows a time series of the portfolio EIR that, between 2015-16 and 2020-21, had steadily decreased from 2.9% to 1.7%. After 2021-22, whilst the conventional gilt EIR remained steady at around 2%, the EIR for inflation-linked gilts jumped sharply to 12.9% in 2022-23 as RPI inflation spiked in that year. As RPI inflation has fallen in subsequent years, the inflation-linked gilt EIR has also fallen significantly, trending back towards the central bank policy target.

The period of elevated inflation in 2022-23 significantly increased the EIR on index-linked gilts. This can be largely attributed to the necessary simplifying assumption that future inflation is equal to current inflation. If the path of future inflation were known with certainty at issue, the average rate of inflation over the life of the bond could be used in the EIR calculation, effectively smoothing fluctuations in inflation. Additionally, the increase in EIR does not reflect an equivalent increase in cash payable in the relevant period as the largest component of debt interest on index-linked gilts is the inflation uplift on the principal amount of each bond, which is not payable until maturity.

Auction concession/premium analysis

The DMO was able to achieve a premium of £88 million over 81 operations in 2024-25, indicating it secured a more favourable price at auction than the prevailing secondary market price.

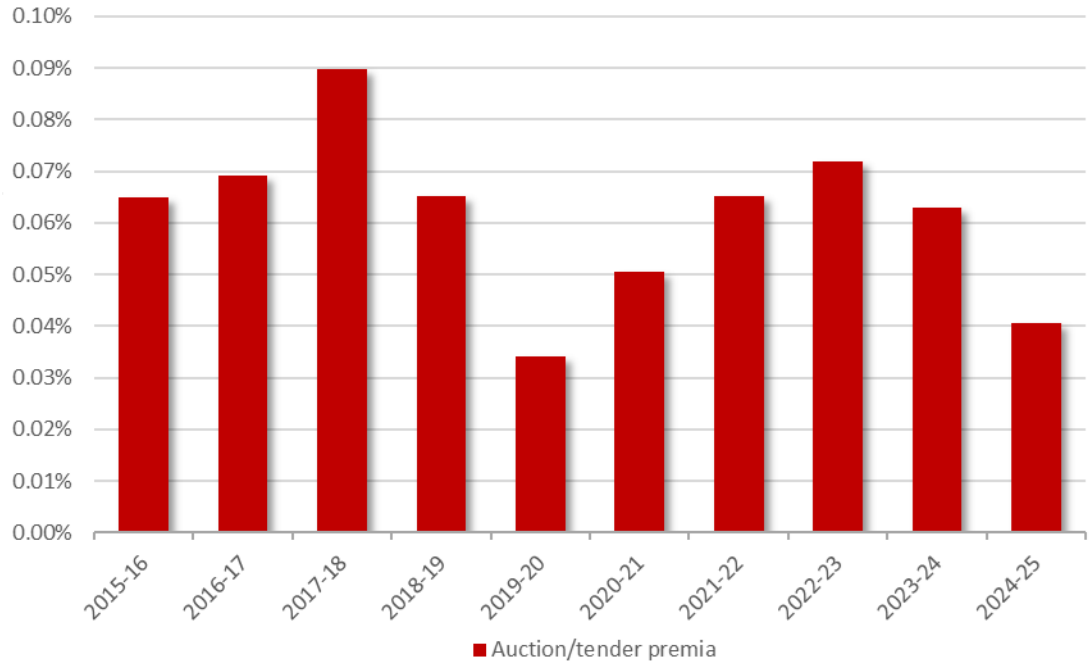
This analysis aims to shed further light on the relative costs paid by the government on debt issued through auctions and gilt tender operations and hence provide an indicator of performance.

There are a number of ways to measure auction performance and in particular to assess whether the prices achieved via the auction process are fair and effective. The method presented below shows the value of any price concession/premium at gilt auctions by measuring the difference between the actual proceeds received and those that would have been generated had each gilt at auction been sold at the secondary market price of the gilt prevailing at the close of bidding on the day of the auction. A premium (concession) is realised when an auction clears at a level above (below) the prevailing price in the secondary market. Achieving a premium suggests that the government is receiving a more favourable price at auction compared with the price at which the gilt can be bought/sold in the secondary market and, therefore, such an outcome contributes to the government's objective of minimising the cost of financing over the long term.

On this basis, a total premium of £88.0 million was achieved across the 81 gilt operations (77 auctions and 4 gilt tenders) held in 2024-25: an average of £1.1 million per operation. The average premia for auctions at the different maturities and types of gilt were as follows:

- Short conventional: £0.6 million
- Medium conventional: £1.1 million
- Long conventional: £1.8 million
- Index-linked: £1.0 million

Chart 15: Auction and gilt tender concession/premium by financial year (%)



Source: DMO

Chart 15 shows the premium realised as a percentage of total auction/gilt tender proceeds over a 10-year period. The chart shows a decrease in the premium realised in 2024-25 versus 2023-24.

Pillar 3 - Performance in relation to risks associated with debt issuance

The government assesses issuance plans in terms of various risks, the relative importance of which can change over time. Four risks are monitored in particular.

In the context of the long-term focus of the debt management objective, another key determinant in the government's decisions on debt management is its assessment of risk. In reaching a decision on the overall structure of the remit, the government considers the risks to which the Exchequer is exposed through its debt issuance decisions and assesses the relative importance of each risk in accordance with its risk appetite.

The government closely monitors a range of different risk measures, which are taken into account when selecting a debt management strategy, and the weight placed on each risk can change over time. Often the impact of these risks can conflict with the achievement of long-term cost minimisation, as well as certain risks offsetting each other, meaning that the government needs to make judgements each year whereby it trades off cost and risk in order to achieve a suitable balance that aligns with overall risk tolerances.

The following risk indicators are set out in this document, and visual representations can be seen in Figure 2:

Risk indicators

- **Refinancing risk** -This includes interest rate exposure arising when debt matures/needs to be replaced with new debt issuance, with an increase in risk if gilt redemptions are concentrated in particular years. This also encompasses liquidity and execution risks arising from sizeable redemption payments, particularly if these occur in the near term. Refinancing risk has been measured in Figure 2.A as the amount of gilts maturing in the next one year and in five years as a proportion of the government's total outstanding gilt portfolio.

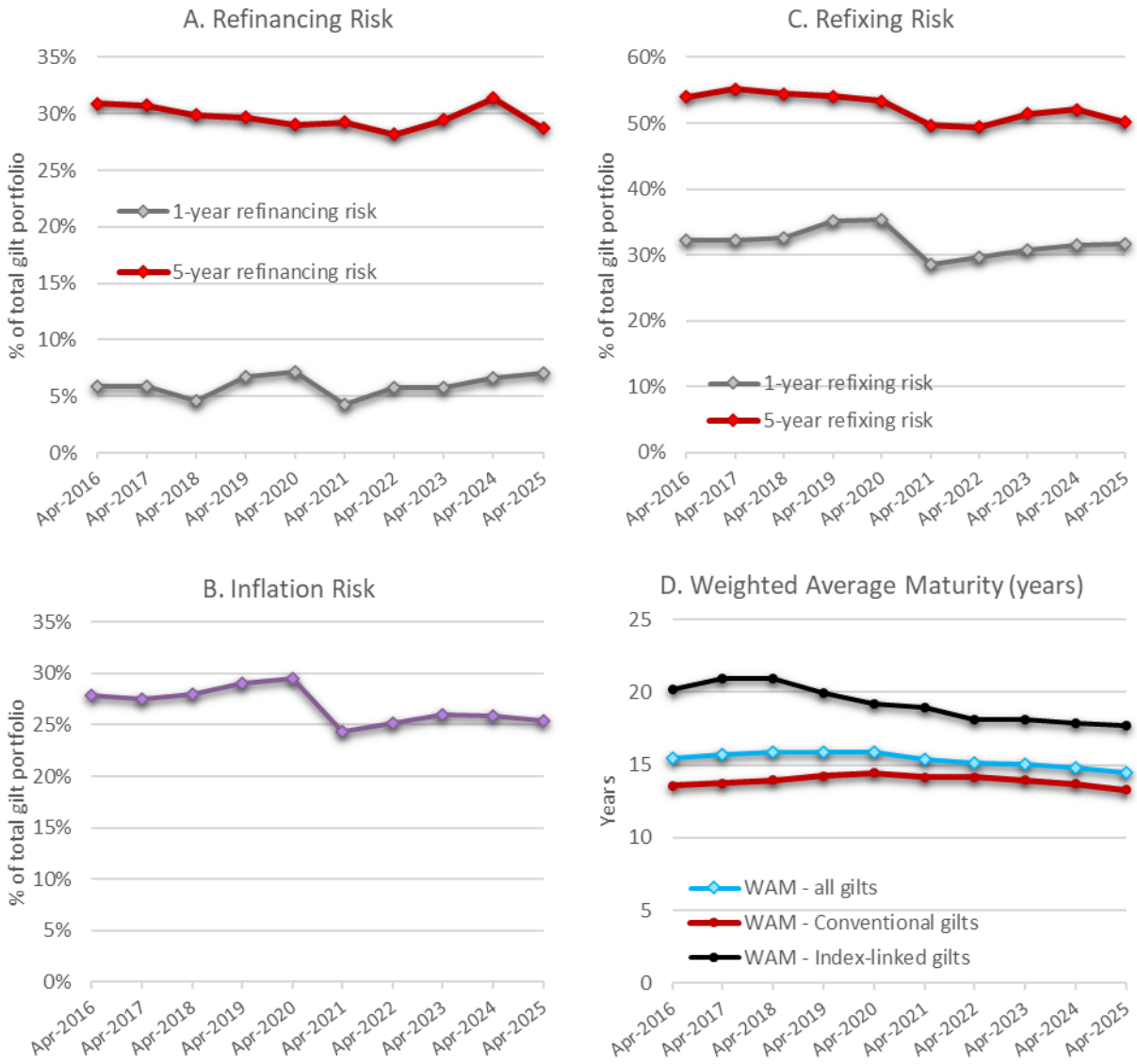
- **Inflation risk** - Exposure to inflation, given that principal and coupon payments due on index-linked gilts are indexed to the RPI. In Figure 2.B inflation risk has been measured as the amount of index-linked debt as a proportion of the portfolio as a whole, in uplifted nominal terms[33].

- **Refixing risk** - This is similar to refinancing risk but includes index-linked gilts whose interest rate is reset with changes in RPI inflation. In Figure 2.C refixing risk has been measured as the sum of debt maturing within one year (and five years) and floating debt whose rate resets within a one year (and five year) horizon, as a proportion of total debt.

- **Weighted average maturity** - This is defined as the weighted average time to maturity of the gilt portfolio. Whilst not strictly a measure of risk, it provides further context about total refinancing risk exposure. In Figure 2.D the weighted average maturity is measured as the average time to maturity of all gilts, conventional gilts, and index-linked gilts weighted by the uplifted nominal amount in issue.

[33] Index-linked gilts that are close to redemption (where all future cash flows are known) are effectively conventional gilts because there is no more inflation uplift to add and these gilts are, therefore, not included in this measure.

Figure 2: Portfolio risk indicators



Source: DMO

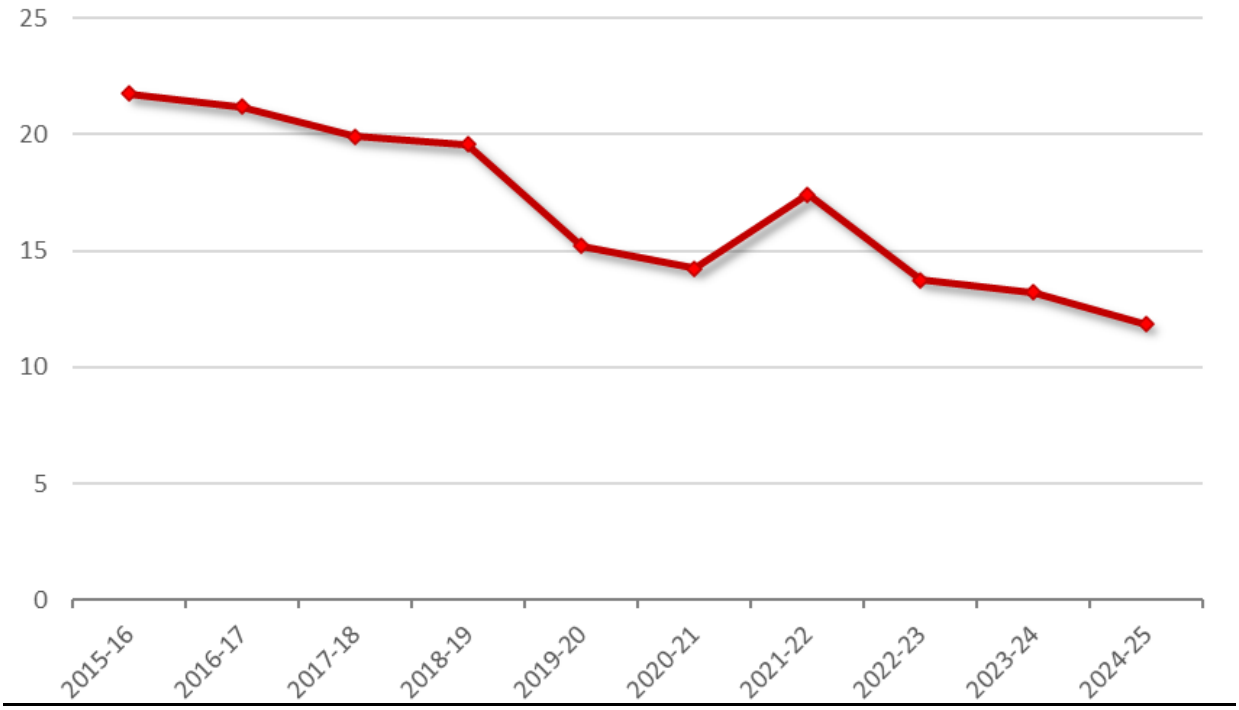
Table 14: Risk metrics 2024-25 versus 2023-24[34]

Risk Measures	2023-24	2024-25	Change
one year refinancing risk	6.7%	7.0%	0.4 pp
five year refinancing risk	31.4%	28.7%	-2.7 pp
one year refixing risk	31.5%	31.6%	0.1 pp
five year refixing risk	52.1%	50.1%	-1.9 pp
Inflation risk	24.8%	25.4%	0.6 pp
Weighted average maturity	14.8 yrs	14.4 yrs	-0.3 yrs

Source: DMO

[34] Figures may not sum due to rounding.

Chart 16: Weighted average gilt issuance maturity (years)



Source: DMO

Risk Indicators – results

As shown in Figure 2, the risk indicators did not generally experience significant moves over the previous 10-year period.

At Budget 2018 – and as part of the government's responsible approach to fiscal risk management – the government announced that it would look to reduce the proportion of index-linked gilt issuance annually in a measured fashion over the medium term, as a means of reducing its inflation exposure in the debt portfolio. In the 5 years prior to 2018-19, index-linked gilts accounted for around 25% of the government's annual debt issuance, for which both the principal and coupon payments are indexed to RPI. Since then, the government has reduced inflation exposure in relative terms. The proportion of index-linked gilts in the wholesale debt stock was lower at the end of 2023 than at the end of 2018 (25.8% compared to 27.6%).

As set out in Table 14, there were few significant moves in any of these indicators in 2024-25 when compared to 2023-24. In 2024-25, a higher proportion of gilts in the short and medium sectors was issued relative to 2023-24; accordingly, the weighted average maturity of the gilt portfolio trended slightly downwards (as illustrated in Figure 5), although this has not yet had any significant impact on one year refinancing or refixing risk. The five year refinancing and refixing risks have both decreased as a result of slightly higher than average gilt redemptions taking place in 2024-25. Refinancing and refixing risk remain contained on a historical basis. Inflation risk remains steady at around 25%.

This set of risk measures is not designed to be an all-encompassing assessment of debt management risks. There are a number of other risks, such as execution risk, that are difficult to measure quantitatively but still have to be managed by the government on an ongoing basis. It is particularly important to be mindful of execution risk in a volatile economic environment as prior execution of operations can, as an unintended second-order effect, cause other risks to crystallise.

Counterfactual analysis

Since 2001 the DMO has published in its Annual Reviews the results of its measurement of relative performance of outright issuance in each financial year against certain counterfactuals. Although the UK's debt management objective is concerned with minimising the cost of issuance "over the long term" rather than in any one year, the intention here is to illustrate whether different non-discretionary issuance patterns during a particular year could theoretically have resulted in higher or lower costs of financing for government. This year the analysis will also take account of changes to both cost and risk measures as defined in the previous section.

The calculations compare the cost and risk measures of the actual issuance pattern with various counterfactual issuance patterns on the basis of a key assumption that the different issuance patterns modelled would not have impacted the levels of issuance yields relative to those achieved in practice (see below). An increase (decrease) in cost measures is likely to result in a corresponding decrease (increase) in risk measures demonstrating the cost/risk trade-offs that are faced by the government when deciding on the appropriate distribution of issuance.

The assumption that the counterfactual issuance patterns themselves would not have had any impact on issuance yields is unlikely to hold in practice, particularly where the gilt issuance pattern under the counterfactual is significantly different from actual issuance. Whilst it is likely, certainly over the medium- to longer-term, that the greatest influences on the level of yields will be macroeconomic conditions, market expectations of interest rates, and other external factors over which the debt manager has no control, establishing the extent to which changes in volumes and patterns of supply might affect yields is more challenging, particularly given varying patterns of government and other gilt supply between years.

The underlying rationale for considering the performance of the gilt issuance programme against counterfactuals is that it provides one means by which to analyse the performance of the debt management authorities in achieving the debt management objective, in particular regarding the decisions on the split between maturities/types of gilt sold in a given year. It is worth noting in this context that measuring performance against the primary debt management objective is not straightforward, a fact widely acknowledged by many other sovereign debt managers and international institutions. Consequently, presentation of annual counterfactuals should not be interpreted as a complete or authoritative means by which to test achievement against the debt management objective – which, as noted above, is a long-term test.

Table 15 sets out the actual issuance for 2024-25 with three counterfactual issuance patterns, namely:

- a significantly greater amount of short issuance;
- a more even distribution of financing between maturity sectors; and
- a significantly greater amount of long issuance.

The changes in cost and risk measures for the counterfactual issuance patterns versus the actual issuance are shown in Table 16.

Table 15: Actual and counterfactual issuance distributions

	Actual distribution (£ billion)	Shorter Distribution (£ billion)	Even Distribution (£ billion)	Longer Distribution (£ billion)
Conventional				
Short	105.7	131.5	87.6	65.7
Medium	94.8	65.7	87.6	65.7
Long	62.4	65.7	87.6	131.5
Total Conventional	**262.9**	**262.9**	**262.9**	**262.9**
Index-linked				
Short	0.0	0.0	0.0	0.0
Medium	15.9	26.1	17.4	8.7
Long	18.8	8.7	17.4	26.1
Total Index-linked	**34.8**	**34.8**	**34.8**	**34.8**
All Issuance	**297.7**	**297.7**	**297.7**	**297.7**

Source: DMO

Table 16: Changes in cost and risk measures for counterfactual issuance distributions[35]

		Shorter Distribution	Even Distribution	Longer Distribution
Cost Measures	**Average Issuance Yield**	-3.8 bp	3.5 bp	13.0 bp
	EIR	-0.4 bp	0.5 bp	1.4 bp
Risk Measures	**5-year refinancing risk**	1.0 pp (percentage points)	-0.7 pp	-1.6 pp
	5-year refixing risk	1.0 pp	-0.7 pp	-1.6 pp
	Weighted average maturity	-1.4 months	2.2 months	6.7 months

Source: DMO

The more even and longer distributions show an increase in cost measures and a corresponding decrease in risk measures, whereas the converse is true for the shorter distribution, highlighting the cost/risk trade-off.

The results from counterfactual modelling of this kind need to be considered in the context of an objective that requires the DMO (and many other sovereign issuers with similar objectives) to pursue policies designed to minimise cost in the long-term whilst taking account of the risks to which debt issuance exposes the government; i.e., the DMO does not seek exclusively to minimise yield at the expense of other considerations.

In order to determine the maturity and composition of debt issuance, the government takes into account a number of factors including:

- the government's own appetite for risk, both nominal and real;
- the shape of both the nominal and real yield curves; and
- investors' demand for gilts.

[35] The inflation risk and one year refinancing and refixing risk measures are omitted as they are not directly affected by the counterfactual scenarios.

Chapter 4
Exchequer cash management

Exchequer cash management remit 2024-25

The DMO's cash management remit for 2024-25, published alongside Budget 2024 on 6 March 2024, specified that the government's cash management objective remains:

> "*to ensure that sufficient funds are always available to meet any net daily central government cash shortfall and, on any day when there is a net cash surplus, to ensure this is used to best advantage*".

HM Treasury and the DMO work together to achieve this, with HM Treasury providing information to the DMO about flows into and out of the National Loans Fund (NLF) and the DMO making arrangements for funding and for placing net cash positions, primarily by carrying out market operations on the basis of HM Treasury forecasts. The DMO successfully delivered its cash management remit for 2024-25.

The DMO monitored and assessed its performance using a range of key performance indicators, details of which are in Annex B.

During the year, the DMO continued to meet the government's net cash requirements primarily by raising and investing cash in the sterling repo market.

The DMO also used weekly Treasury bill tenders to support its daily cash management activities. Throughout the year, there remained a strong market demand to buy Treasury bills at tender and through bilateral agreement.

The Debt Management Account Deposit Facility (DMADF) continued to take cash deposits from local authorities and government agencies, which may place surplus funds with the Debt Management Account (DMA) for up to six months. Deposit levels remained fairly stable throughout the year.

Additionally, the DMO traded a number of other money market instruments to ensure that the government's daily cash requirements were met. In 2024-25 the DMO carried out its cash management objective primarily through a combination of:

- Treasury bill sales; and
- market transactions with DMO counterparties.

The average accepted yields achieved at the weekly Treasury bill tenders are assessed against the SONIA[36] rates for the relevant maturities. These are reported in Annex B.

The stock of Treasury bills in issue can vary within year and across the financial year-end according to cash management requirements[37].

[36] Sterling Overnight Index Average.
[37] Details are published on the DMO website at: https://www.dmo.gov.uk/data/treasury-bills/treasury-bill-issuance-and-stock/. The breakdown of the Treasury bill portfolio by maturity date is published on the DMO website at: https://www.dmo.gov.uk/data/treasury-bills/treasury-bills-outstanding/.

Cash management transactions

The most significant portion of cash management operations in 2024-25, as in previous years, was via transactions negotiated by the DMO with market counterparties. To ensure competitive pricing, the DMO maintains relationships with a wide range of money market counterparties with whom it transacts both directly and via voice and electronic brokers. The DMO transacts both bilaterally and on a cleared basis.

Cash management is conducted using market instruments in order to minimise cost whilst operating within agreed risk limits. Sterling denominated repurchase agreements (repo) and reverse repurchase agreements (reverse repo) currently dominate these transactions, although short-dated cash bonds, certificates of deposit, commercial paper, reverse repo of foreign currency bonds swapped into sterling, unsecured loans, and deposits can also be used.

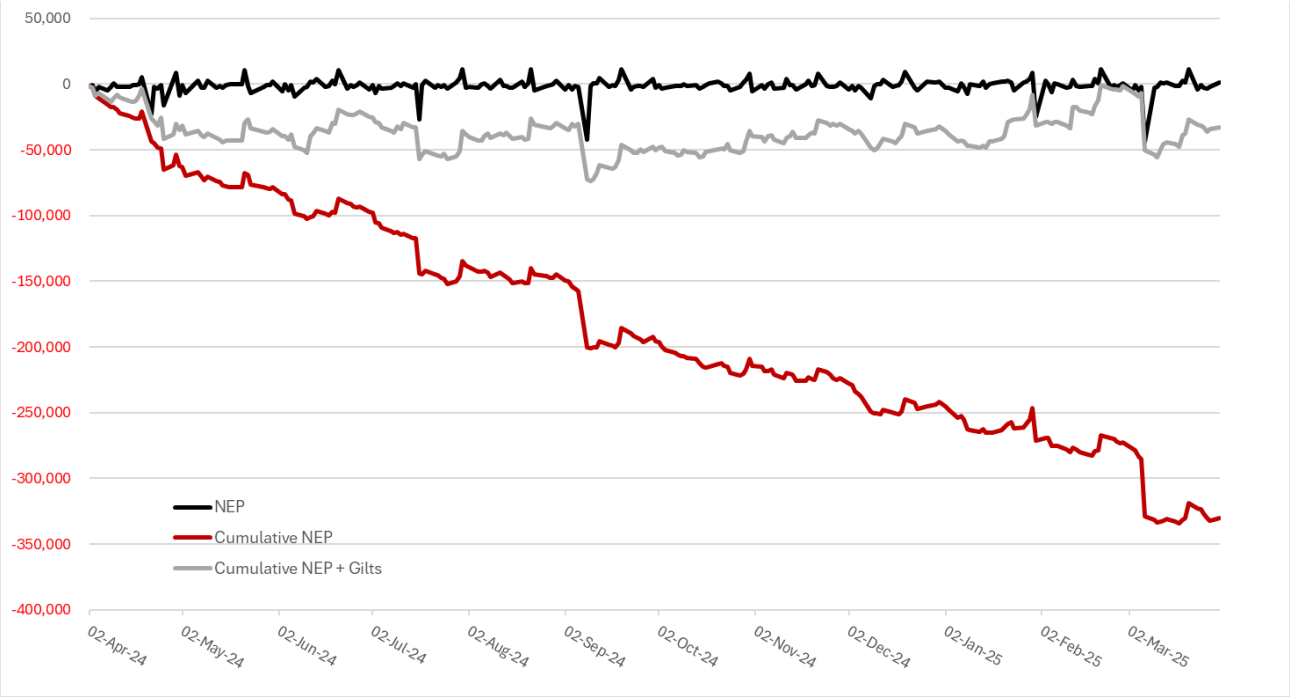
The DMO's money market dealers borrow from and/or lend to the market on each business day to balance the NLF position. To this end, the DMO receives forecasts from HM Treasury of each business day's cash flows into and out of central government. Additionally, the DMO obtains up-to-date intra-day monitoring of cash flows as they occur. The DMO trades only with the purpose of offsetting current and forecast future government cash flows subject to the agreed risk limits. The DMO does not take interest rate positions, except insofar as it is necessary to offset forecast future cash flows.

Over the course of a financial year, the Exchequer's cash flows have typically followed a regular and predictable pattern associated with tax receipts and expenditure cycles. Outflows associated with gilt coupons and redemptions are also known in advance.

Chart 17 shows the scale of daily cash flows measured in terms of the Net Exchequer Position (NEP) in 2024-25 on a daily and cumulative basis. The NEP excludes the effects of gilt sales, Treasury bill issuance, and National Savings & Investments (NS&I's) overall net contribution to financing and, therefore, shows the cumulative in-year deficit which must be financed.

Chart 17 also shows the NEP including gilt sales, which demonstrates how the timing of these flows made a significant contribution to reducing the in-year financing required by Exchequer cash management operations.

Chart 17: Exchequer cash flows 2024-25 (£ million)



Source: DMO

Gilt collateral creation for cash management purposes

Gilt collateral is used as part of the DMO's cash management operations. The DMO periodically creates gilt collateral to replace maturing stock and maintain the overall value of its collateral pool. The amount of each gilt created is typically designed to minimise the impact on the weighting of relevant gilt indices as much as possible.

The DMO created gilt collateral on one occasion in 2024-25:

- As part of the press notice on 28 June 2024 outlining the Q2 2024-25 Treasury bill tender calendar, the DMO also announced that it would create and issue £15.0 billion (in cash terms) of gilt collateral[38]. Details of the amounts of each gilt to be issued were subsequently published on 5 July 2024[39]. These additional amounts were not made available to the repo market as specific gilts for a period of three months following their creation but were available for use in Delivery by Value ("DBV") transactions during this time.

[38] https://www.dmo.gov.uk/media/3h4jpmxy/pr280624.pdf.
[39] https://www.dmo.gov.uk/media/tqkhmxaw/pr050724.pdf.

Definition of cash management risk appetite

The government's risk appetite comprises a set of risk limits: liquidity risk, interest rate risk, foreign exchange risk, and credit risk. Limits are set to control potential exposures to these risks, while also taking into account the pattern of exposure typically generated by government cash management operations. These limits are reviewed periodically.

The **liquidity risk limit** constrains the extent to which the DMO may leave an expected cash flow to be dealt with until closer to the time when it occurs. A smaller limit will cause the DMO to take action to offset expected flows ahead of time, resulting in a higher score against the interest rate risk limit (see below). The exposure is measured as the Maximum Cumulative Flow (MCF) over one day and the limit is the maximum amount of funding or reinvestment permitted on a day.

The **interest rate risk limit** places a cap on the DMO's ability to take advance action to offset cash flows. Its purpose is to control the extent to which cash management costs are potentially exposed to changes in interest rates. A smaller limit will cause the DMO to leave the position to be dealt with until close to the time when it occurs, resulting in a higher score against the liquidity risk limit (see above). Interest rate exposure is measured by Price Value per basis point (PV01).

The **foreign exchange risk limit** constrains the extent to which the DMO can incur a net exposure to foreign currency movements when it purchases or sells foreign currency assets.

In addition, **credit risk limits** constrain the extent to which the DMO can incur individual and aggregate credit exposures to market counterparties

Active cash management performance framework

Since 2000, the in-year cash needs of the government have been managed actively by HM Treasury and the DMO: HM Treasury provides short- and medium-term forecasts of daily net cash surpluses or deficits, and the DMO transacts with its market counterparties in a range of instruments at various maturities to offset the current and forecast future cumulative net cash position.

This active cash management framework is designed to allow specialist cash managers to select appropriate counterparties, instruments, and maturities to deliver the cash management remit at minimum cost subject to agreed risk limits. Formal performance reporting is in place as a means of enhancing effectiveness and ensuring accountability. The results for 2024-25 are presented below.

HM Treasury and the DMO recognise that performance measurement needs to capture the wider policy objectives the government sets the DMO as its cash manager, as well as the cost minimisation objective, and for this reason a number of key performance indicators are used – including a quantifiable measure of net interest saving which is shown under key performance indicator (KPI) 1.4.

HM Treasury and the DMO equally recognise that measuring performance solely in terms of net interest savings does not fully capture the ethos or wider policy objectives which the government sets the DMO as its cash manager. Exchequer cash management differs from that of a commercial entity in that it does not seek to maximise profits, but rather to minimise costs subject to risk, while playing no role in the determination of sterling interest rates. Consequently, the DMO and HM Treasury monitor and assess overall performance in meeting the government's objectives using several quantitative and qualitative KPIs and controls.

The cash management performance report

The DMO's high level cash management objective has been subdivided into a series of objectives which can be measured by a series of KPIs. These are shown in Table 17. The following section explains how performance was delivered against these objectives in 2024-25.

Table 17: Components of the cash management objective

Cash management objective	Key performance indicators and controls
The DMO must supply sufficient cash each day to enable government to meet its payment obligations. This is fundamental and unconditional.	Ways and Means transfers must be avoided for cash management purposes by ensuring that there is always a positive Debt Management Account (DMA) balance. (NB: HM Treasury is responsible for monitoring and reporting performance of the forecasting function against outturns).
Cash management operations and arrangements should be conducted in a way that does not interfere with monetary policy operations.	The DMO will conduct market operations with a view to achieving, within a very small range, the weekly cumulative target balance for the DMA at the Bank of England. The DMO will maintain formal and informal channels of communication with the Bank on conditions in the Sterling money markets. The DMO will seek to avoid holding weekly or ad hoc Treasury bill tenders if and when the Bank conducts its weekly open market operations.
Cash management operations and arrangements should be conducted without impeding the efficient working of the Sterling money markets.	The DMO will advise HM Treasury as appropriate on the impact of Exchequer cash flows on liquidity conditions in the Sterling money markets.
The DMO should maintain a system in which the costs and risks are transparent, measured and monitored and the performance of government cash management is assessed. The DMO maintains an ethos of cost minimisation rather than profit maximisation.	The DMO will report to HM Treasury on a quarterly basis the details of its cash management activity, its active management performance against the government's marginal cost of funds and the market and credit risks incurred. Performance may also be reported in the DMO Annual Review.
The DMO should maintain a credible reputation in the market that leads to lower costs in the long term and a cash management system that is sustainable.	The DMO should maintain channels of communication with money market participants and Treasury bill counterparties both formally and informally to explain, as far as possible, the nature and intent of its operations in the money markets. The DMO should monitor compliance with its operational notices; provide complete, accurate and timely instructions to counterparties, agents, external systems and operators; and achieve the successful settlement of agreed trades on the due date.

Objective 1.1: DMO must supply sufficient cash each day to enable government to meet its payment obligations. This is fundamental and unconditional.

The core requirement of Exchequer cash management is to secure the day-to-day funding of Exchequer cash needs. This objective is supported by HM Treasury's daily net cash flow forecasts – which span to 19 weeks into the future – and intraday updates of same-day scheduled expenditure and revenue flows. The DMO cash dealers raise and place current and future anticipated net daily balances in the Debt Management Account (DMA) with counterparties in the sterling money markets, transacting in a range of instruments and at a range of different maturities to smooth the profile of the forecast cumulative net cash position.

The DMA is used to manage the Exchequer's net cash position. Balances in central government accounts contained within the Exchequer pyramid are swept on a daily basis into the NLF and the DMA is required to offset the resultant NLF balance through its borrowing and lending in the money markets. The DMA is held at the BoE and a positive end-of-day balance must be maintained at all times: it cannot be overdrawn. Automatic transfers from the government Ways and Means (II) account at the BoE would offset any negative end-of-day balances, though it is an objective to minimise such transfers. Thus, evidence of meeting this objective is provided by reference to the number of occasions the DMA goes overdrawn.

KPI 1.1: Ways and Means end of day transfers for cash management purposes must be avoided by ensuring that there is always a positive DMA balance.

- The DMO ensured a positive end-of-day DMA balance on all but one business day in 2024-25.
- On Friday 31 January 2025, a banking counterparty experienced IT problems which impacted payments the DMO expected to receive. The DMA called on the Ways and Means (II) account at the Bank of England to cover the resultant shortfall over the weekend. This was repaid on Monday 3 February 2025.

Objective 1.2: Cash management operations and arrangements should be conducted in a way that does not conflict with the operational requirements of the Bank of England for monetary policy implementation.

The DMA target balance at the BoE serves as a buffer against unexpected payments that occur after the wholesale money markets have closed for same-day settlement. It serves to mitigate the risk of going overdrawn. All changes to the daily net cash forecast that occur before markets are closed should as far as practicable be offset by transactions by DMO cash dealers with market counterparties. The DMO cash forecasters notify the BoE, in advance, of the weekly target balance on the DMA for the week ahead. It is an important goal that actual cumulative end-of-day balances do not differ significantly from target.

KPI 1.2: The DMO will conduct market operations with a view to achieving, within a very small range, the weekly cumulative target balance for the DMA at the Bank of England. The DMO will maintain formal and informal channels of communication with the Bank on conditions in the sterling money markets. The DMO will seek to avoid holding weekly or ad hoc Treasury bill tenders when the Bank conducts its operations.

- The DMO achieved its target weekly cumulative balance for the DMA within a very small range (+/- 2% of its weekly cumulative target) in 46 out of 52 weeks in 2024-25 (compared to 28 out of 53 weeks in 2023-24). All significant known daily and forecast cumulative weekly variations from target were notified to the BoE in a timely fashion. The DMO and the BoE held regular meetings to review the operation of these arrangements.

- No cash management operations were undertaken that, by their nature or timing, could be perceived as clashing with the BoE's operations.

Objective 1.3: Cash management operations and arrangements should be conducted to avoid undermining the efficient functioning of the sterling money markets.

While this objective is difficult to capture in a KPI, the DMO interprets this as a responsibility to seek to minimise the impact of individual daily flows on the sterling money markets while ensuring it transacts at competitive prices. The DMO operates as a customer but also at the core of the money markets, seeking to ensure the widest possible access to maturities, instruments, trading arrangements and counterparties across which to diversify its cash management operations. Limits have been set on the amount of dealing with individual counterparties and in individual instruments; exposure to sterling overnight liquidity and sterling interest rates are also subject to limits. In accordance with objective 1.3, limits and controls are intended to avoid concentration of exposures and are reviewed regularly to ensure consistency with market trends and developments; they find their expression in KPI 1.3.

KPI 1.3: The DMO will advise HM Treasury as appropriate on the impact of Exchequer cash flows on liquidity conditions in the sterling money markets.

Throughout 2024-25, the DMO undertook regular formal and informal communication with the BoE, money market counterparties, and industry groups to assess liquidity in the sterling money markets. It also maintained frequent and regular dialogue to update HM Treasury on market liquidity and, working with HM Treasury, reviewed its trading policies and risk controls to respond to significant sterling liquidity trends and developments.

Objective 1.4: The DMO should maintain a system in which the costs and risks are transparent, measured and monitored and the performance of government cash management is assessed. The DMO maintains an ethos of cost minimisation rather than profit maximisation.

The active cash management framework encompasses a series of quantitative liquidity, interest rate, foreign exchange and credit risk limits that together reflect the government's risk preferences and are designed to be consistent with the wider policy objectives which the government sets its cash manager[40].

Under the current approach, active cash management performance is measured and evaluated by comparing actual net interest paid and received with a proxy for the associated cost of funds (i.e., deducting net interest on daily cash management balances using the BoE repo rate).

KPI 1.4: The DMO will report to HM Treasury on a quarterly basis the details of its cash management activity, including active cash management performance after cost of funds and the liquidity, interest rate, foreign exchange and credit risks incurred. Performance may also be reported in the DMO Annual Review.

The DMO provides regular reports to HM Treasury on the details of Exchequer cash management activity carried out through the DMA, including active cash management performance and usage of liquidity, interest rate, foreign exchange and credit risk limits.

Net returns on active cash management (over the proxy for cost of funds) to the DMA are affected by market conditions, including any differential between the DMA's internal cost of funds and prevailing market rates, and the non-discretionary size and volatility of the Exchequer's cumulative cash position, both of which vary significantly over time. The Exchequer cash management results should not therefore be considered a reflection of, for example, the DMO's cash management trading strategies or performance.

The Exchequer cash management activity is carried out in accordance with the government's ethos of cost minimisation: cash transactions are intended to support the statutory objectives of the DMA and, in particular, to enable the Exchequer's daily net cash positions to be offset over time by using a range of products and instruments, within agreed risk parameters, and are not intended to seek risk opportunities to generate excess return.

[40] Please see the "Definition of cash management risk appetite" section for more details.

Active cash management recorded positive net interest after cost of funds, but before transaction and management costs, of £49.4 million for 2024-25. The DMO's estimated transaction and management costs during 2024-25 were £13.3 million.

Positive net interest after cost of funds has been recorded by virtue of funding the Exchequer's daily cash needs in the wholesale money markets at rates that were on average below the DMA's internal cost of funds (Bank Rate) and from investing surpluses at market rates that were on average above the DMA's internal cost of funds.

There were no breaches of the daily settlement, interest rate, foreign exchange or liquidity risk limits in 2024-25 and the Exchequer's net cash position was successfully offset each day.

Objective 1.5: The DMO should maintain a credible reputation in the market that leads to lower costs in the long term and a system that is sustainable.

The DMO seeks to maintain and enhance its reputation in the market by being open, transparent and consistent about the aims and intentions of its operations and transactions. This has allowed it to continue to widen its market and counterparty access and to deal at fair and competitive rates.

In addition, DMO personnel, processes and internal systems have to be capable of complying with market standards and following market practice in respect of speed and accuracy in negotiation, clearing and settlement of trades.

KPI 1.5: The DMO should maintain channels of communication with money market participants and Treasury bill counterparties both formally and informally to explain, as far as possible, the nature and intent of its operations in the money markets. The DMO should monitor compliance with its operational notices; provide complete, accurate and timely instructions to counterparties, agents, external systems and operators; and achieve the successful settlement of agreed trades on the due date.

As stated in the report on KPI 1.3 above, in 2024-25 the DMO maintained an active and open dialogue with money market counterparties and other market stakeholders to explain its cash management approach and strategy and to explain the context for and receive feedback on Treasury bill tenders and other market operations.

The DMO's operational target for trade settlement[41] was achieved. The release time for the 51 Treasury bill tenders ranged from 4 to 5 minutes and averaged 4.3 minutes[42] – the published results were accurate in all cases.

[41] The target was to settle at least 99% of trades by value on the due date, where the DMO was responsible for delivering stock or cash: the level achieved was over 99.99%.
[42] The target was to release Treasury bill tender results within 15 minutes of the close of offer.

Treasury bill tender performance

Table 18 and Charts 18 to 20 compare the results (in terms of the average accepted yield) of all Treasury bill tenders held in 2024-25 with the corresponding SONIA rates. Over the financial year the average accepted yields at one-month and six-month tenders outperformed the corresponding SONIA rates by 7.5bp and 14.4bp respectively, whereas the average accepted yields at three-month tenders underperformed the corresponding SONIA rates by 48.9bp.

The average size of three-month Treasury bill tenders was more than three times that of the average for one-month tenders, while the average size of six-month tenders was more than four times larger. Average cover ratios remained comfortably above 3x for each maturity (see Table 19).

Table 18: Comparison of average Treasury bill tender yields with SONIA rates in 2024-25

	Average tender yield (%)	Average SONIA rate (%)	Difference (bp)
One-month	4.873	4.879	-0.6
Three-month	4.888	4.820	6.9
Six-month	4.833	4.720	11.3
Average	**4.865**	**4.806**	**5.9**

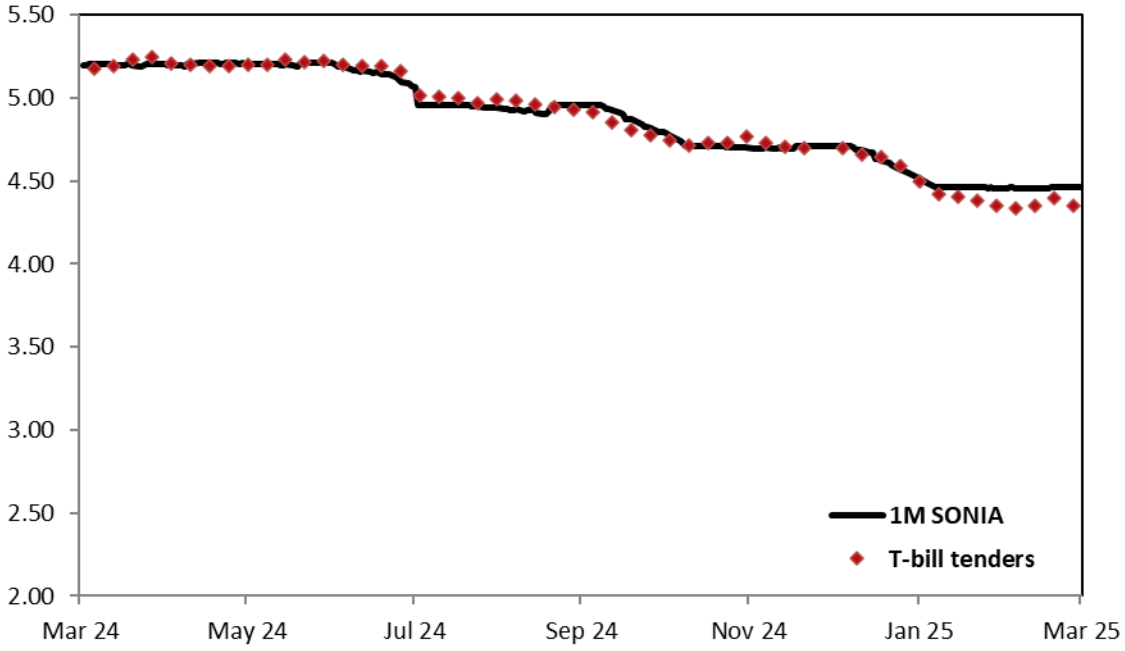
Source: DMO

Table 19: Comparison of average Treasury bill tender sizes and cover ratios in 2024-25

	Average tender size (£mn)	Average cover ratio (x)
One-month	608	3.79
Three-month	2,000	3.32
Six-month	2,961	3.30

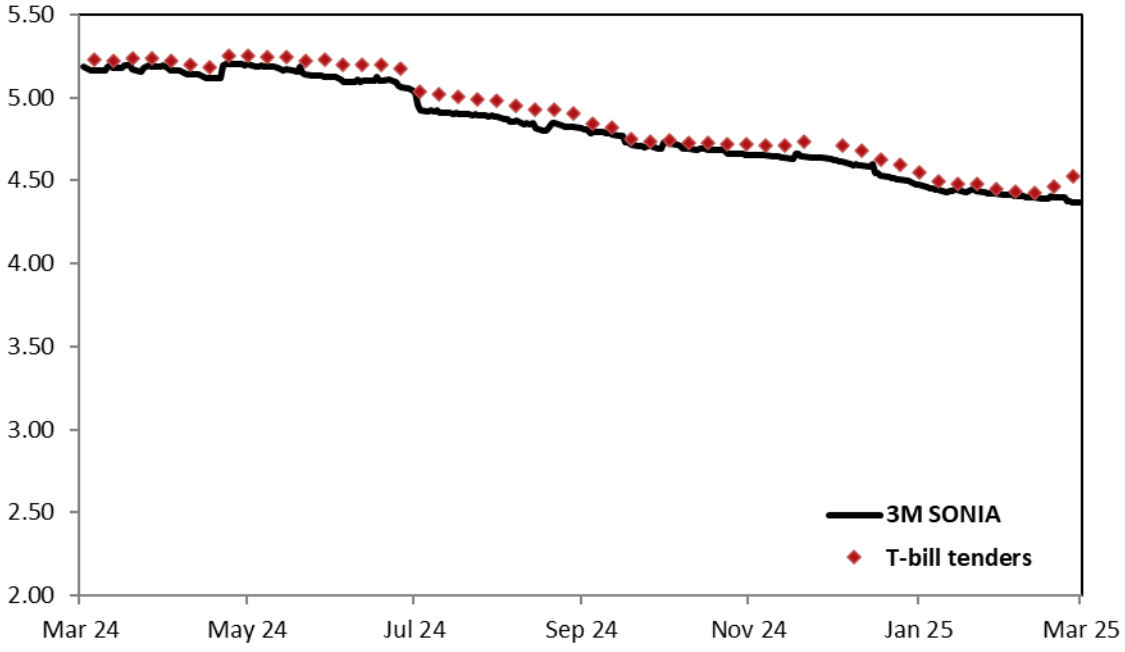
Source: DMO

Chart 18: One-month Treasury bill tender yields compared with SONIA rates in 2024-25 (%)



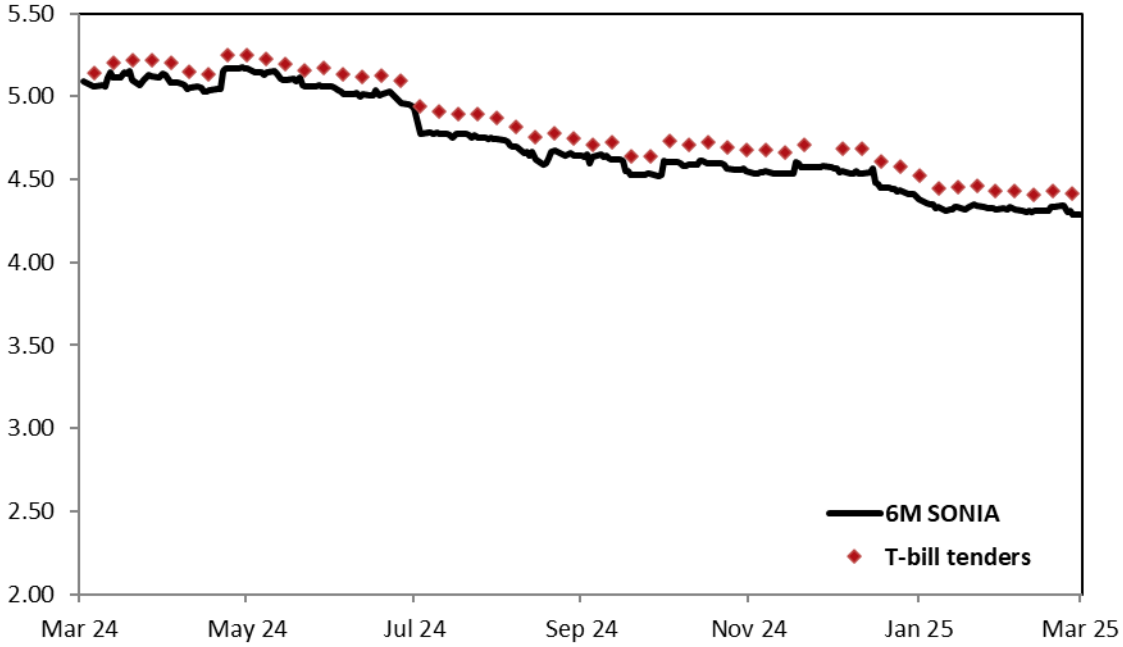
Source: DMO/Bloomberg

Chart 19: Three-month Treasury bill tender yields compared with SONIA rates in 2024-25 (%)



Source: DMO/Bloomberg

Chart 20: Six-month Treasury bill tender yields compared with SONIA rates in 2024-25 (%)



Source: DMO/Bloomberg

Annex A
The debt portfolio

Table 20: Debt portfolio statistics (gross)

Gross values (including DMO holdings)	28 March 2024	31 March 2025
Uplifted nominal value		
Debt portfolio	£2,533 billion	£2,716 billion
Conventional gilts	£1,860 billion	£2,005 billion
Index-linked gilts	£604 billion	£636 billion
Treasury bills	£69 billion	£75 billion
Market value		
Debt portfolio	£2,248 billion	£2,279 billion
Conventional gilts	£1,612 billion	£1,677 billion
Index-linked gilts	£568 billion	£528 billion
Treasury bills	£68 billion	£74 billion
Average maturity (nominal value-weighted)		
Debt portfolio	14.30 years	14.02 years
Gilt portfolio	14.69 years	14.41 years
Conventional gilts	13.70 years	13.38 years
Index-linked gilts	17.76 years	17.68 years
Average maturity (market value-weighted)		
Debt portfolio	12.87 years	11.96 years
Average yield (market value-weighted)		
Conventional gilts	4.19%	4.55%
Index-linked gilts	0.64%	1.31%
Average modified duration (market value-weighted)		
Conventional gilts	8.39 years	7.84 years
Index-linked gilts	16.22 years	14.36 years

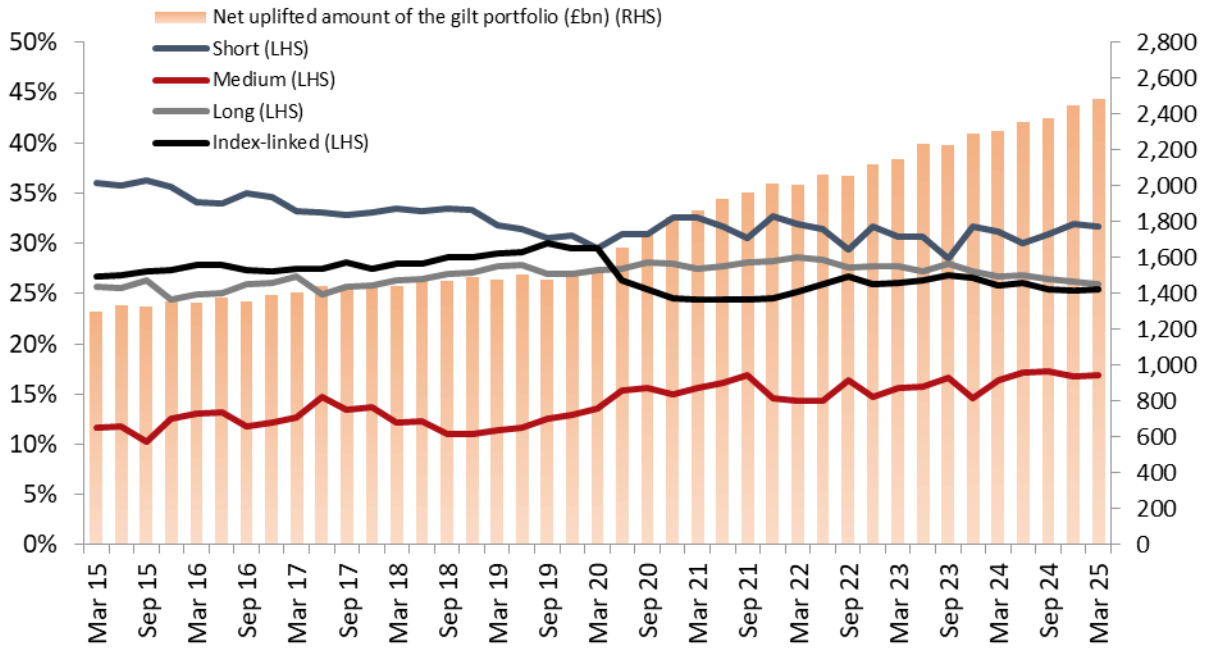
Source: DMO

Table 21: Debt portfolio statistics (net)

Net values (excluding DMO holdings)	28 March 2024	31 March 2025
Uplifted nominal value		
Debt portfolio	£2,376 billion	£2,558 billion
Conventional gilts	£1,711 billion	£1,852 billion
Index-linked gilts	£597 billion	£631 billion
Treasury bills	£69 billion	£75 billion
Market value		
Debt portfolio	£2,098 billion	£2,139 billion
Conventional gilts	£1,471 billion	£1,542 billion
Index-linked gilts	£560 billion	£523 billion
Treasury bills	£68 billion	£74 billion
Average maturity (nominal value-weighted)		
Debt portfolio	14.36 years	14.02 years
Gilt portfolio	14.78 years	14.44 years
Conventional gilts	13.69 years	13.31 years
Index-linked gilts	17.89 years	17.74 years
Average maturity (market value-weighted)		
Debt portfolio	12.89 years	11.92 years
Average yield (market value-weighted)		
Conventional gilts	4.19%	4.54%
Index-linked gilts	0.64%	1.31%
Average modified duration (market value-weighted)		
Conventional gilts	8.37 years	7.79 years
Index-linked gilts	16.29 years	14.42 years

Source: DMO

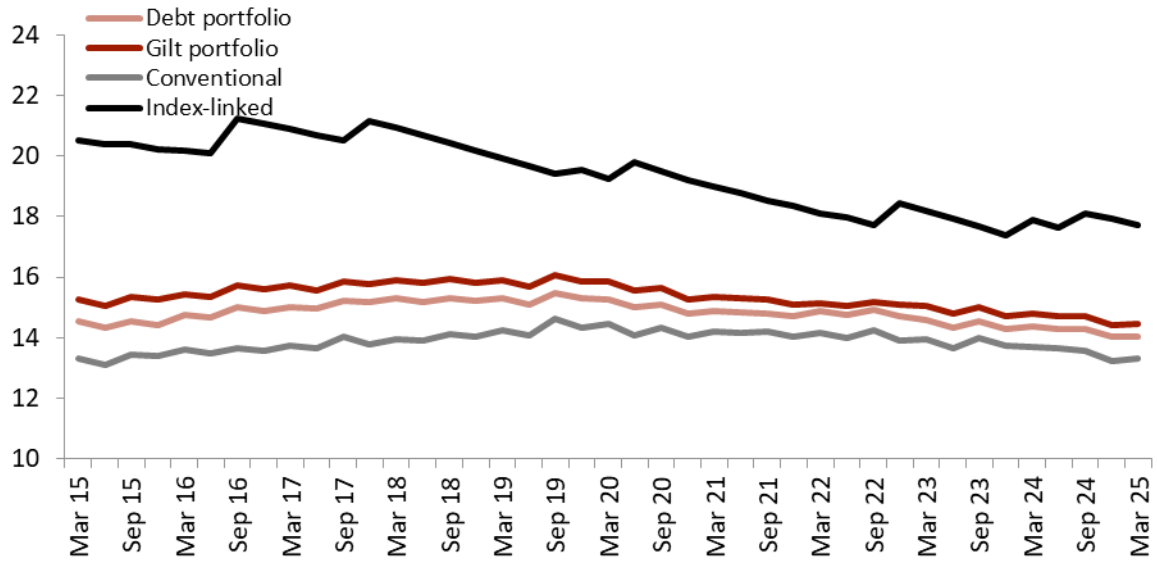
Chart 21: Gilt portfolio composition[43]



Source: DMO

[43] A list of gilts, including first issue and coupon dates and nominal amounts outstanding (updated daily) is available on the DMO website at: https://www.dmo.gov.uk/data/pdfdatareport?reportCode=D1A.

Chart 22: Portfolio maturity (years)



Source: DMO

Annex B
Other published information on DMO activities

General DMO performance

Aspects of the DMO's performance each financial year are reported in the DMO's Annual Report and Accounts (ARA). These comprise:

- the purpose and principal activities of the DMO;
- a performance summary of the DMO's main activities;
- a report on achievements against agency objectives as set by HM Treasury;
- a report on performance against agency targets, including:
  - compliance with the financing remit
  - gilt and Treasury bill operation results - release times
  - accuracy of the recording of transactions through the Debt Management Account
  - compliance with the Freedom of Information Act 2000
  - avoidance of breaches of operational notices
  - compliance with the schedule for reporting cash management operational balances
  - accurate and timely administration of settlement procedures
  - accuracy of publications and timeliness of announcements
  - timeliness of processing of local authority loan and early repayment applications
  - appropriate operation of the DMO (retail) gilt purchase and sale service

Debt management operations

The principal publications[44] describing the DMO's activities in the gilt market are:

- Official Operations in the Gilt Market – An Operational Notice, which provides details on the operational procedures conducted by the DMO in the gilt market; and
- The GEMM Guidebook - a guide to the roles of the DMO and Primary Dealers (GEMMs) in the UK government bond market, which is aimed at DMO gilt market counterparties. This document outlines their obligations as Gilt-edged Market Makers and the DMO's obligations to them.

The legal details behind the DMO's gilt issuance activities are set out in the:

- Information Memorandum – Issue, Stripping and Reconstitution of British Government Stock

Cash management operations

The principal publication describing the DMO's activities in carrying out Exchequer Cash Management in the UK and also the legal and technical background to the issuance of Treasury bills is the:

[44] These publications can be accessed via the gilt market operational rules section of the DMO website: https://dmo.gov.uk/publications/gilt-market/operational-rules/.

- Cash Management Operational Notice & UK Treasury Bills Information Memorandum

  https://www.dmo.gov.uk/media/ogqlg1di/cmopnot280324.pdf

Other relevant sources of information include:

- About Treasury bills:

  https://www.dmo.gov.uk/responsibilities/money-markets/about-treasury-bills/

- Discretionary bilateral Treasury bill Issuance

  https://www.dmo.gov.uk/responsibilities/money-markets/discretionary-bilateral-treasury-bill-facility/

- A list of Treasury bill Primary Participants:

  https://www.dmo.gov.uk/responsibilities/money-markets/primary-participants/

Digital Gilt Instrument (DIGIT)

In November 2024, the Chancellor of the Exchequer announced at Mansion House the launch of a pilot Digital Gilt Instrument (DIGIT) issuance, leveraging cutting-edge distributed ledger technology (DLT)[45]. This announcement was followed by a Written Statement to Parliament, outlining further details of the issuance and highlighting the Government's commitment to engaging with the sector in 2025[46]. Additional information and engagement on DIGIT was announced on 18 March 2025[47].

The pilot is seeking to:

- enable the Government to explore how DLT can be applied to UK sovereign debt issuance processes; and
- catalyse the development of UK based DLT infrastructure and the adoption of DLT across UK financial markets.

As an experimental form of issuance, DIGIT will be separate from and independent of the Government's debt issuance programme. The delivery of the pilot DIGIT issuance is being managed jointly by HM Treasury and the DMO.

[45] This announcement can be found at: https://www.gov.uk/government/speeches/mansion-house-2024-speech.
[46] The Written Statement can be found at: https://questions-statements.parliament.uk/written-statements/detail/2024-11-18/hcws228.
[47] This announcement can be found at: https://www.gov.uk/government/publications/announcement-of-preliminary-market-engagement-exercise-for-the-digital-gilt-instrument-digit-pilot/additional-information-and-engagement-on-the-digital-gilt-instrument-digit.