



United Kingdom
Debt Management
Office

PWLB

Annual Report and Accounts

2024-2025

PWLB Annual Report and Accounts 2024–2025

Presented to Parliament pursuant to
Section 3(6) of the National Loans Act 1968

Ordered by the House of Commons
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Performance report

The purpose of the overview is to provide sufficient information to understand the PWLB, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

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Overview

Accounting Officer's statement

During 2024-2025, the PWLB lending facility continued to provide a non-discretionary, cost-effective lending service to local authorities, meeting their requirements in terms of the amount of financing and the timing and duration of their borrowing. The function and powers to lend to local authorities are held by HM Treasury, which delegates responsibility for the operation of the reporting entity known as the PWLB lending facility to the Accounting Officer of the United Kingdom Debt Management Office (DMO). HM Treasury retains policy responsibility for local authority lending.

The PWLB advanced 1,121 new loans with a value of £14.6 billion to local authorities in the year. The majority (£10.9 billion) of these loans were maturity loans; the remainder comprised £0.4 billion of annuity loans and £3.3 billion of equal instalments of principal loans. This represented a flexible range of lending alternatives for local authorities.

During the year the PWLB collected interest payments on more than 16,000 loans, which had a carrying value of £110.5 billion at 31 March 2025. £3.6 billion of interest income was generated on these PWLB loans, with more than 34,000 interest and loan repayments by borrowers.

The PWLB continued to offer both fixed and variable rate loans during the year, at rates calculated by the DMO using the methodology specified by HM Treasury. The PWLB also continued to offer PWLB loans at concessionary rates to eligible local authorities as specified by HM Treasury.

In June 2023, HM Treasury implemented a new concessionary rate available to any local authority with a Housing Revenue Account (HRA) for fixed rate loans that would finance expenditure within that account. The HRA rate is set at 40 basis points above prevailing gilt yields and was made available from 15 June 2023. The Autumn Budget 2024 confirmed that the availability of this rate has now been extended to March 2026.

I would like to express my sincere appreciation to all DMO staff, and colleagues at HM Treasury, for their professionalism, commitment and support throughout the year. The smooth provision of cost-effective PWLB loans would not have been possible without their valued contribution.

Jessica Pulay

Accounting Officer

23 June 2025

Purpose and principal activities of the PWLB

This publication presents the Annual Report and Accounts of the PWLB function for the year ended 31 March 2025. The accounts have been prepared by the DMO under a direction issued by HM Treasury in accordance with Section 3(6) of the National Loans Act 1968 (the 1968 Act). In addition, the publication meets the duty of the Lords Commissioners of HM Treasury, under section 5(3) of the Public Works Loans Act 1875 (the 1875 Act), to report annually to Parliament.

The Report and Accounts show PWLB loans advanced by HM Treasury in the financial year and the repayments received from borrowers. The accounts do not show the resources that have been used to deliver the PWLB's functions, which are reported in the United Kingdom Debt Management Office Report and Accounts 2024-2025.

Background to the PWLB

The Public Works Loan Board was a statutory body that originated in 1793 and became permanently established in 1817. It dated in its more recent form from the 1875 Act. Between 1946 and 2020 it consisted of a maximum of 12 Commissioners appointed by the Crown to hold office for four years. Under the 1875 Act, they were not allowed to receive any salary, fee or emolument. More recently, these posts were held in order that the function of central government lending to local government complied with statute. In practice, the PWLB function has been administered by the DMO since July 2002. Since 25 February 2020, the DMO has administered the function on behalf of HM Treasury after the relevant powers to issue PWLB loans were formally transferred from the Commissioners to HM Treasury under the Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020.

Monies for PWLB lending are provided for by Act of Parliament and drawn from the National Loans Fund. The National Loans Fund is the government's main borrowing and lending account and is administered by HM Treasury.

Since 25 February 2020, HM Treasury has delegated the non-discretionary operation of the PWLB function to the Chief Executive Officer of the DMO, who is also accountable for the activities of the Public Works Loans Secretary, a statutory official who is also a member of DMO staff.

Borrowers are local authorities (plus a small number of other eligible public bodies) requiring loans mainly for capital purposes. HM Treasury is responsible for setting the lending framework under which the PWLB

operates. While HM Treasury is legally required before making a loan to satisfy itself that there is sufficient security for its repayment, loans to local authorities are automatically secured by statute on the revenues of the authority, which removes the need for reference to specific revenues, assets or collateral.

PWLB loans form part of the credit risk profile of the National Loans Fund. The management of credit risk is described in note 9 to the accounts.

Governance of the PWLB

Since 25 February 2020, HM Treasury has had the relevant powers (previously held by the Public Works Loan Commissioners) to issue PWLB loans to local authorities. Major local authorities have been able to borrow (mainly for capital projects) without government consent since 2004, provided they determine they can afford the borrowing costs. To this end, local authorities in England are required to have regard to four statutory codes when making these decisions. These are the Prudential Code and the Treasury Management Code, both of which are published by the Chartered Institute of Public Finance and Accountancy, as well as the statutory guidance documents on investments and minimum revenues provision, which are published by the Ministry of Housing, Communities & Local Government. Local authorities in England must have regard to these codes regardless of whether they borrow from HM Treasury, through the PWLB lending facility, or any other lender. HM Treasury requires assurance from the authority that it is borrowing within relevant legislation and its borrowing powers, and in accordance with the lending terms and guidance of the PWLB lending facility.

HM Treasury also has relevant powers to issue PWLB loans to town and parish councils (in England) and town and community councils (in Wales). Applicants will need a borrowing approval from the Ministry of Housing, Communities & Local Government for which they should approach their County Association of Local Councils or, in the case of Welsh councils, the Welsh Government. HM Treasury, through the

PWLB lending facility, also provides loans to drainage boards. Applicants for loans will need a loan consent from the Department for Environment, Food & Rural Affairs. The approvals must be in place before loan applications can be made to the DMO on behalf of HM Treasury.

Operationally, the PWLB function is administered as part of the DMO, an executive agency of HM Treasury, and staff working on PWLB lending activities are employees of the DMO. The operational delivery of the PWLB lending facility is subject to the same control framework as the DMO's operations as a whole.

The DMO operates the non-discretionary PWLB lending facility within policies, terms and arrangements determined by HM Treasury.

Responsibility for local authority spending and borrowing decisions lies with the locally-elected members of each council, who are democratically accountable to their electorates. Records of PWLB loans to local authorities are available for public scrutiny via the DMO website. Major local authorities are not required to provide information to the DMO on the purpose of a loan when borrowing from the PWLB lending facility.

Statutory provisions for loans

Section 3(11) and Schedule 4 of the 1968 Act authorises HM Treasury to make loans to any local authority in Great Britain for any purpose for which the authority has power to borrow and to certain other authorities and persons for limited purposes. HM Treasury also has the powers to lend to certain harbours, but as a matter of government policy no longer does so.

The amount which HM Treasury may lend, or undertake to lend, is provided by Section 4 of the 1968 Act, which permits HM Treasury to make loans up to a limit of the aggregate of:

- any commitments of HM Treasury outstanding in respect of undertakings entered into by them to grant local loans; and
- any amount outstanding in respect of the principal of any loans.

Section 4(1) of the 1968 Act limits the aggregate amount that may be outstanding in respect of commitments entered into by HM Treasury through the PWLB lending facility. On 21 November 2024,

via statutory instrument The Local Loans (Increase of Limit) Order 2024, HM Treasury enacted amendments to the 1968 Act to increase the overall PWLB lending limit from £115 billion to £135 billion with effect from 22 November 2024.

The PWLB lending facility has no funds of its own; rather it borrows from the National Loans Fund as and when it needs to fund its loans. Likewise, all loan repayments to the PWLB lending facility are paid over to the National Loans Fund. All interest and premiums on premature repayments paid to the PWLB lending facility are paid to the National Loans Fund and any discounts payable on premature repayments are funded from the National Loans Fund. Operationally, flows of funds are netted whenever practicable.

In accordance with Sections 3(2) and 5 of the 1968 Act, interest on loans made through the PWLB lending facility is payable at rates determined by HM Treasury. This is achieved operationally by having rates calculated by the DMO using the methodology specified by HM Treasury. There are regular, twice daily redeterminations of rates, published at 9.30a.m. and 12.30p.m. Determinations include a separate set of rates applying to premature repayments.

Two types of loan are available from the PWLB lending facility:

- Fixed rate loans, for which the maximum repayment period is 50 years and on which the rate of interest is fixed for the duration of the loan. Repayments for fixed rate loans are due at half-yearly intervals; and
- Variable rate loans, for which the maximum repayment period is 10 years, and on which the rate of interest may be varied at one, three or six month intervals. Repayments are made at intervals corresponding to that selected for the variation of the rate. Once an interval is chosen, it remains unchanged throughout the life of the loan.

Policy and lending arrangements

HM Treasury is able to issue PWLB loans to an authority up to the available capacity in its legal borrowing limit as determined under Part 1, Chapter 1 of the Local Government Act 2003. HM Treasury requires, as part of the loan application process set out in the PWLB Operational Circular, a statement of confirmation from the borrowing authority that the application is within the relevant legislation and the authority's borrowing powers. Loans are automatically secured

by statute on the revenues of the authority and HM Treasury will not refuse an application if satisfied that it conforms to the policy framework governing its lending arrangements. When local authorities borrow they must have regard to the Prudential Framework as set out by the Chartered Institute of Public Finance and Accountancy, and by the Ministry of Housing, Communities & Local Government, Scottish Government, or Welsh Government as applicable to ensure they are borrowing prudently. HM Treasury may refer to these bodies or seek further assurance from the local authority to satisfy itself about the conformity of a loan application.

Borrowers can request to repay loans before their due date. Under the policy framework, HM Treasury, via the DMO, accepts premature repayments, but only on terms which do not favour the borrower over the National Loans Fund. HM Treasury's lending policy and operational arrangements are publicised in circulars and associated guidance available on the local authority lending pages of the DMO's website at www.dmo.gov.uk/responsibilities/local-authority-lending/lending-arrangements/.

In November 2020 HM Treasury set out revised lending terms for the PWLB and guidance to support local authorities to determine if a proposed project is an appropriate use of PWLB lending. The terms included a provision for HM Treasury to suspend the consideration of the loan application for further review if it considers that the application may fall outside HM Treasury's lending arrangements.

In August 2021, HM Treasury published updated guidance and announced changes to the terms and conditions for PWLB lending which included an increase in the turnaround time for a PWLB loan from two to five working days to give government sufficient time to review the capital plans submitted and ensure they are consistent with the PWLB's lending policy, whilst still enabling local authorities to secure quick access to finance. HM Treasury also set the minimum interest rate for PWLB loans at 0.01% and set a minimum late repayment fee of 0.1%.

In May 2022, HM Treasury updated the guidance to confirm that it would not typically advance new loans if there is a more than negligible risk that the newly advanced PWLB loan will not be repaid without future government support. It confirmed that HM Treasury works with departments across government to monitor financial risk in local authorities, and this

ongoing monitoring will be considered alongside any other relevant factors when determining if a local authority is potentially at risk of non-repayment.

In June 2023, HM Treasury updated the guidance to confirm that any investment asset bought primarily for financial return which was acquired after 15 June 2023 would result in the authority not being able to access the PWLB for up to the end of the following financial year or being able to use the PWLB to refinance this transaction at any point in the future. In November 2023, HM Treasury updated the guidance to reflect the extension of the availability of the Housing Revenue Account rate.

Future developments

HM Treasury confirmed in the Autumn Statement 2024 that the Housing Revenue Account (HRA) rate for PWLB lending that was introduced in June 2023, solely for the use in the HRA and intended primarily for new housing delivery, would be extended to March 2026.

Performance summary

The PWLB earned interest income in the year of £3,579 million (2023-2024: £3,332 million). This comprised £3,753 million of contractual interest income (2023-2024: £3,369 million), and £174 million of net discount paid due to the premature repayment of loans (2023-2024: £37 million net discount).

Year on year, the PWLB's interest income increased by £247 million. Contractual interest income increased by £384 million and net discounts paid increased by £137 million, year on year.

The PWLB advanced 1,121 new loans to borrowers with a value of £14,642 million (2023-2024: 808 loans with a value of £11,202 million).

The PWLB's borrowers prematurely repaid loans with a principal value of £964 million in 2024-2025 (2023-2024: £419 million).

At 31 March 2025, the PWLB held loan assets of £110,472 million (31 March 2024: £103,724 million), inclusive of accrued income receivable of £751 million (31 March 2024: £898 million). The PWLB also held a cash balance of £1,383 million (31 March 2024: £675 million) comprising monies in transition between the National Loans Fund and the PWLB's borrowers.

Figure 1 sets out the loans advanced, the repayments received and the loan amounts outstanding according to types of borrower in England, Wales and Scotland. It includes the fair value of the PWLB's loan portfolio, which is equivalent to the net present value of all future contractual cash flows for each loan.

At 31 March 2025, the average period to maturity of fixed rate loans had decreased to 19.6 years (31 March 2024: 22.4 years). Also, there was a rise in the weighted average interest rate of the PWLB's loans outstanding at 31 March 2025 to 3.69% (31 March 2024: 3.60%).

The assets of the PWLB are funded by borrowing from the National Loans Fund. Therefore all the PWLB's assets are matched by a corresponding liability to the National Loans Fund.

Factors influencing financial performance

Movements in the PWLB's statement of financial position and its corresponding pattern of income are driven by the demand for new loans and the repayment (premature or otherwise) of existing loans. The demand for new loans is influenced by local authorities' need for capital finance, changes in prevailing borrowing rates, borrowers' expectation of future interest rate changes and their eligibility for a concessionary rate. These factors, considered alongside any premium or discount payable for premature repayment and the rates available for money on deposit, also influence the pattern of demand for the premature repayment of existing loans and for refinancing.

Key issues and risks

The key issues and risks facing the PWLB are considered in the governance statement on page 24 to 35.

Fees and charges

The fees charged to borrowers for each new PWLB loan as well as the administrative costs of the PWLB are accounted for within the DMO's overall budget, as agreed with HM Treasury. In 2024-2025, the DMO received fees of £5.1 million from the PWLB's borrowers in respect of new loans issued (2023-2024: £3.9 million).

Figure 1: Summary of transactions and balances outstanding

	In the year 2024-2025			Balances outstanding as at 31 March 2025		
	Loans advanced £m	Repayments of principal £m	Payments of interest £m	Principal due but not yet paid* £m	Principal outstanding £m	Interest due but not yet paid* £m
Loans secured on local revenue to:						
Local authorities in England						
County Councils	1,817	1,836	441	-	11,282	-
London Borough Councils	3,668	1,233	583	-	17,923	-
Metropolitan District Councils	1,577	603	630	-	17,603	-
Non-Metropolitan District Councils	3,598	2,316	769	-	28,416	-
Others	1,009	902	559	-	14,405	-
	11,669	6,890	2,982	-	89,629	-
Local authorities in Scotland						
Unitary Councils	2,527	665	513	-	14,679	-
Others	15	6	14	-	244	-
	2,542	671	527	-	14,923	-
Local authorities in Wales						
Unitary Councils	400	165	213	-	5,027	-
Others	31	21	4	-	141	-
	431	186	217	-	5,168	-
Total loans on local revenues	14,642	7,747	3,726	-	109,720	-

	In the year 2024-2025			Balances outstanding as at 31 March 2025		
	Loans advanced £m	Repayments of principal £m	Payments of interest £m	Principal due but not yet paid* £m	Principal outstanding £m	Interest due but not yet paid* £m
Loans secured on property to harbour authorities						
England	-	-	-	-	-	-
Scotland	-	-	-	-	1	-
Wales	-	-	-	-	-	-
Total loans on property	-	-	-	-	1	-
Total loans on local revenues and property	14,642	7,747	3,726	-	109,721	-

* There were no overdue loan repayments at 31 March 2025.

The net present value of all future contractual cash flows for each loan was £86,409 million at 31 March 2025. These cash flows are discounted at the PWLB's new loan interest rates at 31 March 2025.

Performance analysis

Applications for loans

During the year, the PWLB received applications for loans resulting in 1,121 new loans being advanced (2023-2024: 808 loans). These new loans were provided to 245 different authorities (2023-2024: 203 authorities).

Review by type of loan and borrower

Figure 2 shows loan advances made by the PWLB in 2024-2025 by type of loan and type of borrower. The figure highlights the strong preference for fixed rate loans during the year, such that £14,642 million of fixed rate loans were advanced and no variable rate loans were advanced.

Figure 2: Loans advanced by type of loan and borrower

	Fixed rate £m	Variable rate £m	Total £m
Local authorities in England			
County Councils	1,817	-	1,817
London Borough Councils	3,668	-	3,668
Metropolitan District Councils	1,577	-	1,577
Non-Metropolitan District Councils	3,598	-	3,598
Others	1,009	-	1,009
	11,669	-	11,669
Local authorities in Scotland			
Unitary Councils	2,527	-	2,527
Others	15	-	15
	2,542	-	2,542
Local authorities in Wales			
Unitary Councils	400	-	400
Others	31	-	31
	431	-	431
	14,642	-	14,642

Types of loans, periods, rates and incidence of drawings

The monthly totals of loan advances by standard and concessionary rates, and the effect on the PWLB's loan portfolio, can be seen in Figure 3. £10,791 million of the PWLB's loan advances in 2024-2025 were made at the Certainty Rate, £3,810 million at the Housing Revenue Account Rate, £10 million at the Local Infrastructure Rate, £10 million at the Project Rate and £21 million at the Standard rate. The loan principal balance outstanding to the PWLB at 31 March 2025 was £109,721 million (31 March 2024: £102,826 million).

The term to maturity of advances for fixed rate loans can be seen in Figure 4. The figure highlights the preference by borrowers for shorter-term loans, with £12,905 million (88%) of loan advances being for 10 years or less (2023-2024: 74%). The weighted average term to maturity for loans advanced was 4.8 years in 2024-2025 (2023-2024: 6.5 years).

Fixed rate loans with a value of £41 million (2023-2024: £181 million), or 0.3% of all loan advances, were taken for the maximum period of 50 years. Fixed rate loans with a value of £3,740 million (2023-2024: £3,376 million), or 26% of all loan advances, were taken for the minimum period of only one year.

The demand for fixed and variable rate loans over the previous 10 years, and their effect on the PWLB's loan portfolio, is demonstrated in Figure 5. In 2024-2025, the PWLB advanced £14,642 million of fixed rate loans and no variable rate loans. Over the previous 9 years, the PWLB had advanced £60,684 million of fixed rate loans and £917 million of variable rate loans (2% of the total).

Figure 6 demonstrates the continuing popularity of maturity loans, which constituted £10,920 million (75%) of loans advanced in 2024-2025.

Figure 3: Loan principal outstanding and advanced, month by month

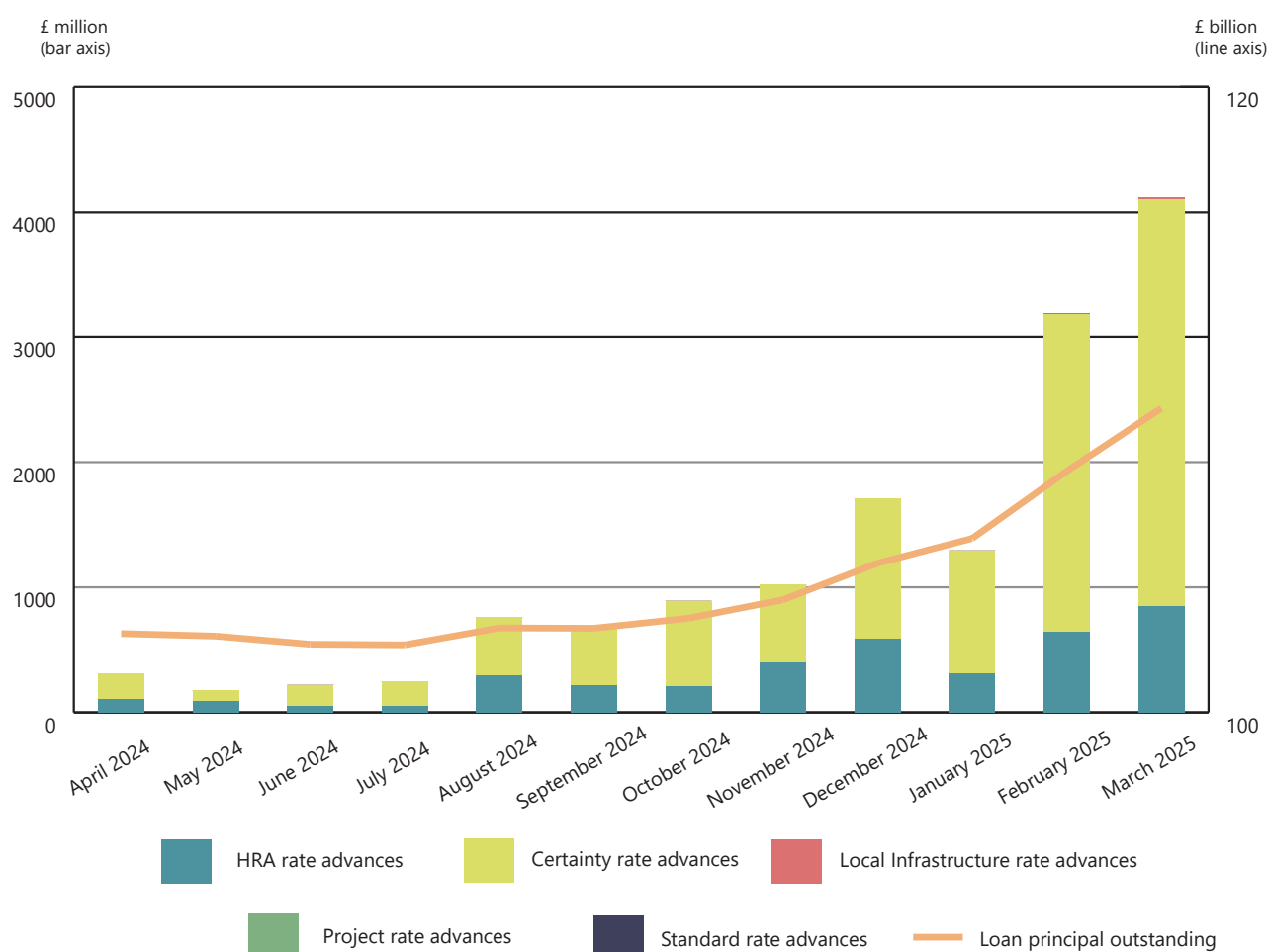


Figure 4: Term to maturity of fixed rate loans advanced in the year

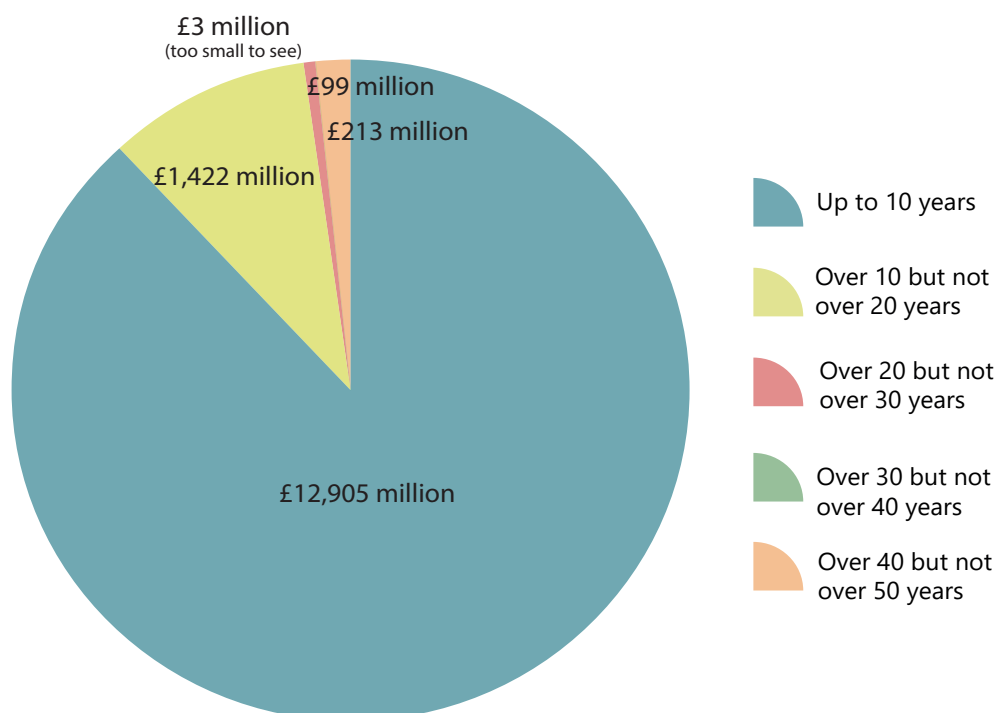


Figure 5: Loan principal outstanding and advanced, year by year

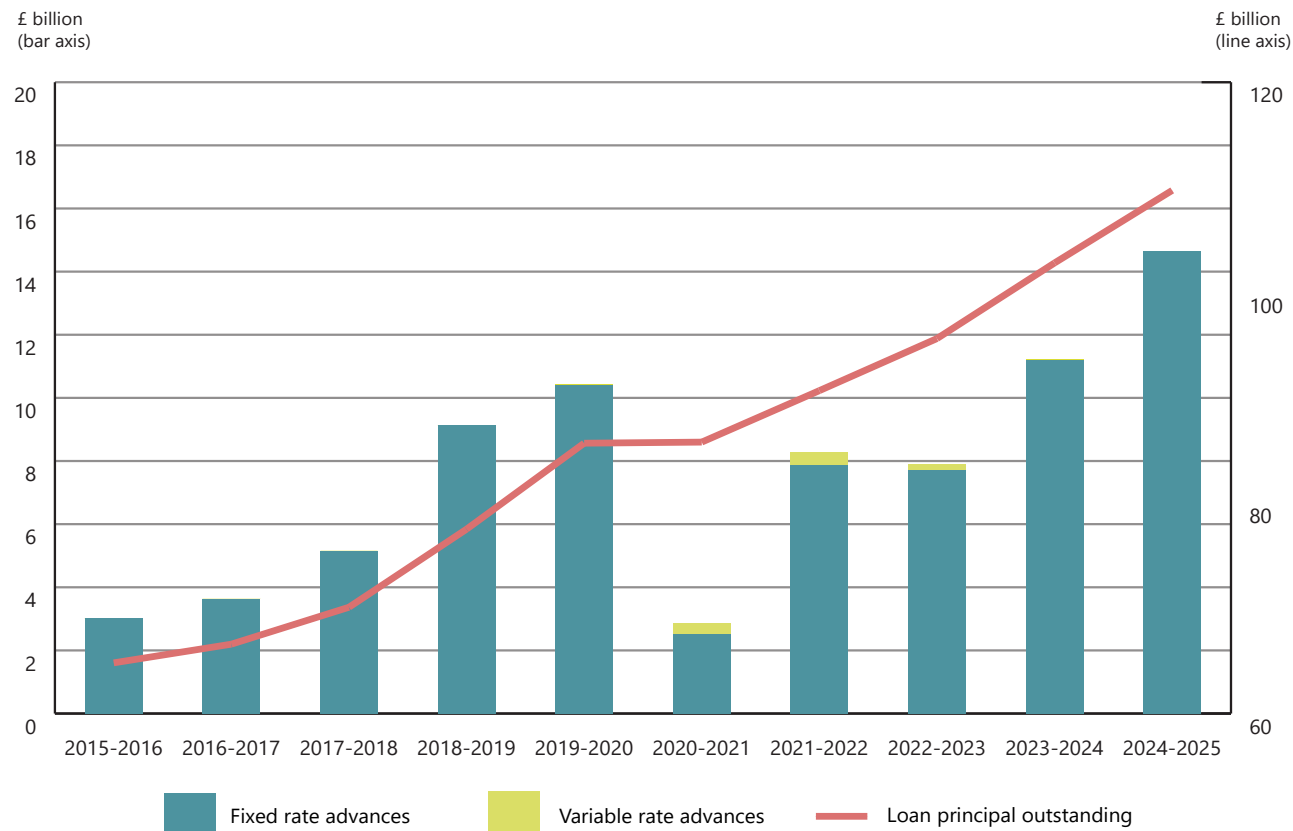


Figure 6: Loans advanced in the year, by type and by term to maturity

	Period of payment					Total
	Up to 10 years	Over 10 but not over 20 years	Over 20 but not over 30 years	Over 30 but not over 40 years	Over 40 but not over 50 years	
	£m	£m	£m	£m	£m	£m
Method of Repayment						
Fixed rate loans						
Maturity	10,490	174	43	2	211	10,920
Annuity	314	82	53	1	2	452
Equal instalments of principal	2,101	1,166	3	-	-	3,270
	12,905	1,422	99	3	213	14,642
Variable rate loans						
Maturity	-	-	-	-	-	-
Equal instalments of principal	-	-	-	-	-	-
	-	-	-	-	-	-
All loans						
Maturity	10,490	174	43	2	211	10,920
Annuity	314	82	53	1	2	452
Equal instalments of principal	2,101	1,166	3	-	-	3,270
	12,905	1,422	99	3	213	14,642

Scheduled and premature repayments

When an authority redeems a loan, it is a decision for the authority, subject to the PWLB's lending arrangements, whether to replace the loan with a new loan. The PWLB will treat the replacement loan as a new transaction.

Authorities may, at the PWLB's discretion, repay a loan prematurely. In the case of a premature

repayment, the authority will repay the net present value of the future contractual cash flows, discounted at the PWLB's premature repayment rates, resulting in a discount or premium according to whether the premature repayment rate at the time is higher or lower than the loan rate.

Figure 7 summarises premature repayments in 2024-2025.

Figure 7: Premature repayments

	Number of loans repaid	Principal repaid £m	Premium received £m	Discount paid £m
Fixed rate loans	89	500	9	184
Variable rate loans	8	464	-	0
	97	964	9	184

Premature repayments of £964 million were made during the year (2023-2024: £419 million), compared to new loan advances of £14,642 million (2023-2024: £11,202 million).

The value of loan principal outstanding to borrowers rose by 7% year-on-year (2023-2024: 8% rise), to £109,721 million from £102,826 million at 31 March 2024.

Repayments in arrears

There were no overdue loan repayments at 31 March 2025 (31 March 2024: less than £1 million).

Rates of interest

The PWLB's interest rates are determined by the DMO using the methodology specified by HM Treasury in accordance with the National Loans Act 1968. The methodology is designed to ensure that the rates set for new PWLB loans are not lower than those at which the government could notionally borrow.

A detailed explanation of the methodology is in a Technical Note which is available, along with current and past PWLB loan interest rates, on the local authority lending pages of the DMO's website, www.dmo.gov.uk.

The fixed PWLB lending rate for four different maturities as well as the three month variable lending rate for 2024-2025 are shown in Figure 8.

Concessionary rates

The PWLB offers loans at rates below the standard rate in accordance with certain schemes determined by HM Treasury.

Certainty Rate: From 1 November 2012, the government reduced by 0.2% the rates on loans from the PWLB to local authorities who provided certain

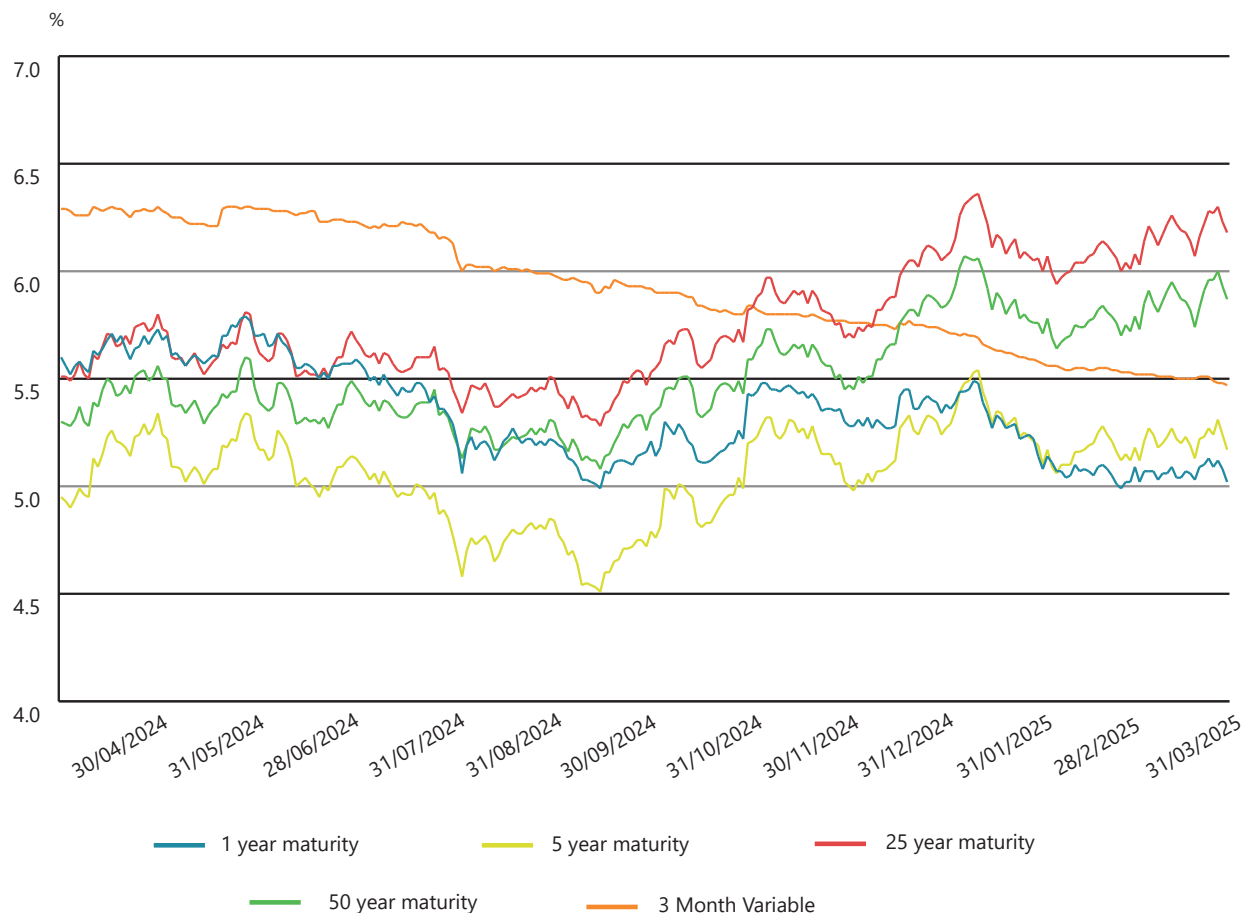
information on their plans for long-term borrowing and associated capital spending. Since 26 November 2020, principal local authorities have been required to submit a PWLB Lending Access form (previously known as a Certainty Rate return), including a high-level description of their capital spending and financing plans for the following three years, as a condition of accessing the PWLB. As a result, the Certainty Rate is now the default rate at which principal local authorities borrow.

Local Infrastructure Rate: In April 2018, HM Treasury published the arrangements for access to the Local Infrastructure Rate, which allows local authorities to borrow at a rate of 0.6% above respective gilt yields to support certain qualifying infrastructure projects. The government made available up to £1 billion of lending at this rate to English authorities over two bidding rounds during 2018-2019 and a further £1 billion in a single bidding round in 2020. Corresponding shares were made available to local authorities in Scotland and Wales. Local authorities have three years to take out their loans from the PWLB, with a maximum term of 50 years.

Project Rate: This rate was previously available for certain local authorities who were working with their Local Enterprise Partnership to deliver infrastructure projects. HM Treasury determined which local authorities qualified for this concessionary rate of 0.4% below the PWLB Standard Rate and some allocations remained available during the 2024-2025 financial year.

Housing Revenue Account (HRA) Rate: In June 2023, HM Treasury introduced a new HRA Rate for PWLB lending solely for the use in the Housing Revenue Account and intended primarily for new housing delivery. The HRA Rate is set at 0.4% above respective gilt yields and was initially available for 1 year and subsequently extended in November 2023 to the end June 2025 and extended again in November 2024 to March 2026.

Figure 8: Interest rates by term to maturity and type of loan*



* The interest rates shown relate to standard rate loans. The relationship between concessionary rate and standard rate loans is described on page 18.

Transfers of debt

The PWLB is prepared to transfer debt as appropriate, following local government reorganisation. This means that the PWLB would, for instance, be prepared to transfer debt from a collection of District Councils to a Unitary Authority on consolidation.

Service performance

The PWLB has target timetables for advancing loans and arranging premature repayments. Applications are processed according to the timetables set out in the PWLB's circulars.

The results of these targets can be found in the published annual report and accounts of the DMO on the DMO website.

Jessica Pulay
Accounting Officer
23 June 2025

Accountability report

The accountability report comprises two sections: a **corporate governance report** and a **parliamentary accountability and audit report**. The **corporate governance report** includes the following information: the responsibilities of the Accounting Officer; the composition, responsibilities and actions of the Advisory Board and the Audit and Risk Committee and how they have supported the Accounting Officer and enabled the objectives of the PWLB; and the key risks faced by the PWLB and how it seeks to manage them. The **parliamentary accountability and audit report** includes a formal opinion by the PWLB's external auditor to certify that the financial statements give a true and fair view of the state of the PWLB's affairs for the year and that they have been prepared in accordance with all relevant rules.

These two sections contribute to the PWLB's accountability to Parliament and comply with best practice in relation to corporate governance norms and codes. In particular, the **corporate governance report** seeks to do so by describing the key mechanisms the PWLB employs to ensure it maintains high standards of conduct and performance. This includes the statement of Accounting Officer's responsibilities which describes their accountability to Parliament for the PWLB's use of resources and compliance with rules set by HM Treasury to ensure best practice in financial management. The governance statement reflects the applicable principles of the Corporate Governance Code for Central Government Departments. The **parliamentary accountability and audit report** confirms that the expenditure and income of the PWLB have been applied to the purposes intended by Parliament and confirms that information in the parliamentary accountability disclosures has been audited and approved by external auditors.

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Corporate governance report

Directors' report

Operationally, the PWLB is part of the DMO and its staff are employees of the DMO. The PWLB therefore has no staff of its own.

Name of PWLB Accounting Officer and DMO Advisory Board

The members of the DMO's Advisory Board are considered to be the directors of the PWLB. The authority and responsibilities of the Advisory Board are set out in the governance statement on page 24 to 35.

- **Dame Sue Owen**
Non-Executive Chair
- **Jessica Pulay**
PWLB Accounting Officer and Chief Executive Officer of the DMO (from 1 July 2024)

Co-Head of Policy and Markets of the DMO (until 30 June 2024)
- **Sir Robert Stheeman** (until 30 June 2024)
PWLB Accounting Officer and Chief Executive of the DMO
- **Jo Whelan**
Deputy Chief Executive and Co-Head of Policy and Markets of the DMO
- **Jim Juffs**
Chief Operating Officer of the DMO
- **Paul Canty** (from 2 January 2025)
Co-Head of Policy and Markets of the DMO
- **Ruth Curtice** (until 20 December 2024)
Non-executive HM Treasury representative
- **Stephen Farrington** (from 24 February 2025)
Non-executive HM Treasury representative
- **Paul Fisher**
Non-executive director
- **Martin Egan**
Non-executive director
- **Gary Admans** (from 2 June 2025)
Non-executive director

The remuneration of the DMO's Advisory Board members is set out in the United Kingdom Debt Management Office Annual Report and Accounts.

Directors' conflicts of interest

In 2024-2025, no material conflicts of interest were declared by the DMO's Advisory Board members.

Reporting of personal data related incidents

The PWLB had no protected personal data related incidents during 2024-2025.

Statement of Accounting Officer's responsibilities

Under Section 3(6) of the National Loans Act 1968 HM Treasury has directed the DMO to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the PWLB and its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to observe the applicable accounting standards and be consistent with the relevant requirements of the Government Financial Reporting Manual, and in particular to:

- observe the relevant accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the annual report and accounts as a whole are fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgements required for determining they are fair, balanced and understandable.

HM Treasury has appointed the Chief Executive Officer of the DMO as the Accounting Officer of the PWLB.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the PWLB's assets are set out in Managing Public Money published by HM Treasury.

Disclosure to auditors

The accounts are audited by the Comptroller and Auditor General in accordance with Section 3(6) of the 1968 Act.

The Comptroller and Auditor General charges no audit fee for undertaking this statutory audit.

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



Governance statement

Scope of responsibility

A statutory responsibility of HM Treasury is to consider loan applications from local authorities and other prescribed bodies and, where loans are made, to collect the repayments. HM Treasury has delegated to the Accounting Officer of the DMO responsibility for authorising loans and collecting due payments. The day-to-day operations of the PWLB lending facility have been fully integrated within the operations of the DMO. The DMO provides reports to HM Treasury of lending activity on a daily basis. These reports, as well as the Annual Report and Accounts, are the primary mechanisms through which HM Treasury is kept informed of the PWLB lending facility's operations. Credit risk is the risk that a counterparty will fail to discharge a contractual obligation, resulting in financial loss to the PWLB lending facility. Any such loss would be borne by the National Loans Fund. A fuller description of the roles and responsibilities of HM Treasury can be found in the overview to this Report and Accounts.

The Accounting Officer of the DMO is responsible for ensuring appropriate advice is given to HM Treasury on all matters relating to financial propriety and regularity, for keeping accounts and submitting them for external audit by the Comptroller and Auditor General and for the efficient and effective use of resources and ensuring that the business is managed within the appropriate control framework.

The PWLB lending facility is managed within the control framework of the DMO. The Accounting Officer of the DMO is responsible for the wider control framework within which the PWLB lending facility is managed. In discharging control responsibilities, the Accounting Officer takes assurance on the continued sound maintenance of the wider control framework from the governance statement for the DMO, although understands that only reasonable and not absolute assurance can be given that risks have been controlled.

Prior to 25 February 2020, PWLB loans were provided by the Public Works Loan Commissioners. Following a government consultation in 2016 the Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 abolished the Commissioners and transferred their statutory powers to HM Treasury.

The PWLB lending facility is committed to the highest standards of corporate governance and is subject to the guidance set out in the Corporate Governance Code for central government departments (the Code) and the principles laid down in that Code:

- Parliamentary accountability;
- The role of the Board;
- Board composition;
- Board effectiveness; and
- Risk management.

No part of the PWLB lending facility is conducted with or through arm's length bodies (ALBs) and therefore the PWLB lending facility has not applied principle six, which covers departmental governance arrangements with ALBs.

On 28 September 2023, it was announced that Sir Robert Stheeman, the Chief Executive of the DMO and Accounting Officer of the PWLB, would be retiring on 30 June 2024 and an open recruitment process for a successor commenced in late December 2023. On 16 April 2024, Jessica Pulay was announced as the new Chief Executive Officer of the DMO and Accounting Officer of the PWLB and commenced these roles on 1 July 2024.

Advisory Board

The DMO Accounting Officer was supported during 2024-2025 by the Advisory Board (the Board) which, in addition to the DMO Accounting Officer, comprised:

- Dame Sue Owen
Non-executive Chair - Dame Sue was a civil servant for 30 years, including 14 years at HM Treasury. Amongst other things, Dame Sue worked on fiscal policy and debt management policy at HM Treasury. Dame Sue has previously held senior roles at the Foreign and Commonwealth Office, Department for International Development and Department for Work and Pensions. Most recently Dame Sue served as the Permanent Secretary at the Department for Digital, Culture Media and Sport, from 2013 to 2019. Dame Sue has other current roles, including non-executive director at Pantheon International plc and Serco plc.

- Jessica Pulay
DMO Chief Executive Officer and Accounting Officer (from 1 July 2024);
Co-Head of Policy and Markets (until 30 June 2024);
- Jo Whelan
Deputy Chief Executive and Co-Head of Policy and Markets;
- Jim Juffs
Chief Operating Officer;
- Ruth Curtice (until 20 December 2024)
Non-executive HM Treasury representative;
- Stephen Farrington (from 24 February 2025)
Non-executive HM Treasury representative;
- Paul Fisher
Non-executive Director - During a 26-year career at the Bank of England, Paul Fisher served as a member of the Monetary Policy Committee from 2009 to 2014, the interim Financial Policy Committee from 2011 to 2013 and the PRA Board from 2015 to 2016. Paul has a number of current roles including Chair of the London Bullion Market Association;
- Martin Egan
Non-executive Director - Martin Egan has 37 years of experience in financial markets. Most of Martin's career was spent at BNP Paribas in various roles including Managing Director Global Co-Head Primary and Secondary Credit, Vice Chairman of the Global Markets Client Board, and Chair of BNPP UK Ltd. Martin was also Chair of the Diversity and Inclusion Network at BNPP UK. Earlier in his career Martin held roles at JP Morgan Ltd., UBS Investment Bank and Credit Suisse First Boston. Martin was also the Chair of the Board of the International Capital Market Association from May 2017 to May 2018, and a member of the Board for another five years before that.

The Economic Secretary to HM Treasury, or such other Minister as may be responsible for the UK Debt Management Office, in consultation with the Non-executive Chair of the Advisory Board and the Accounting Officer, appoints Non-executive Board members. Non-executive directors have fixed terms defined in their contract of service. All non-executive board members including the Non-executive Chair will receive an induction on joining and have access to additional information and training where it is considered necessary for the effective discharge of their duties.

One of the roles of the Board is to advise the Accounting Officer on any key decisions affecting the PWLB lending facility.

An executive sub-committee of the Board generally meets weekly and supports the Accounting Officer on operational decisions.

The Terms of Reference for the Advisory Board were set out on its formation in June 2022. The Board's effectiveness was reviewed in November 2024, after the new Accounting Officer was established in the role. Overall, the review found that the Advisory Board had been very effective in fulfilling its responsibilities.

2024-2025 Board activities

Board meetings were held regularly throughout 2024-2025 and covered regular agenda items, including risk management and staffing.

Board, as well as Audit and Risk Committee, attendance is outlined in the following table:

Advisory Board				
	Possible	Actual		
Dame Sue Owen	6	6		
Jessica Pulay	6	6		
Sir Robert Stheeman	1	1		
Jo Whelan	6	6		
Jim Juffs	6	6		
Paul Canty	2	2	Audit and Risk Committee	
Ruth Curtice	4	4		
Stephen Farrington	1	1		
Paul Fisher	6	6	Possible	Actual
Paul Fisher	6	6	5	5
Martin Egan	6	6	5	5
Rodney Norman	n/a	n/a	5	5

Audit and Risk Committee

The Accounting Officer was supported during 2024-2025 by the Audit and Risk Committee on matters relating to risk, internal control and governance. The Audit and Risk Committee covers the activities of the DMO, Debt Management Account, Commissioners for the Reduction of the National Debt and PWLB lending facility. The members of the Audit and Risk Committee during 2024-2025 were:

- Paul Fisher (Chair)
- Martin Egan

■ Rodney Norman - Rodney was Finance Director of NS&I until 2018. Prior to that Rodney was the Treasury Accountant at HM Treasury. This was preceded by a career in the City where he qualified as a Chartered Accountant with PWC and was Finance Director of the Banking Division of Close Brothers. Rodney is currently a non-executive member of the Audit and Risk Committee of the Army. Rodney has previously been a senior advisor to the Bank of England and a non-executive director of a variety of organisations including the Pension Protection Fund, where he was also a member of its Risk and Audit Committee and chaired the Nominations Committee.

Audit and Risk Committee meetings are typically attended by the DMO Accounting Officer, either or both of the Co-Heads of Policy and Markets, the Chief Operating Officer, the Head of Internal Audit, the Head of Finance, the Head of Risk and the National Audit Office.

One of the Audit and Risk Committee's objectives is to give advice to the Accounting Officer of the PWLB lending facility on:

- The overall processes for risk, control and governance and the governance statement;
- Management assurances and appropriate actions to follow from internal and external audit findings, risk analysis and reporting undertaken;
- The financial control framework and supporting compliance culture;
- Accounting policies and material judgements, the accounts and the annual report and management's letter of representation to the external auditors;
- Whistleblowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of the DMO's business;
- Processes to protect against money laundering, fraud and corruption; and
- The planned activity and results of both internal and external audits.

During the period under review the Audit and Risk Committee paid particular attention to the following areas:

- Results of cyber security reviews and tests;

- Succession planning and key dependency risks;
- Documentation of roles and responsibilities and authorisations and delegations;
- Personnel and building security risks;
- Risk management framework;
- Personal dealing policy;
- High level risks, principal risks and uncertainties;
- Procurement processes and controls;
- Finance processes;
- Business critical models;
- User access rights and permissions;
- Critical spreadsheets;
- Compliance with applicable legal & regulatory requirements;
- Governance and controls over cash management;
- Operating models for debt and cash management activities;
- Civil Service Commissioners recruitment principles;
- IT controls over patching updates;
- SWIFT attestation;
- Business Continuity response plans in event of a cyber security incident;
- Whistleblowing policy;
- Trading System upgrade project;
- Changes to Global Internal Audit Standards.

The Audit and Risk Committee covers a regular programme of agenda items, together with other current topics, and met four times during the year to consider its regular agenda. There was one additional ad-hoc meeting to discuss preparations to sign the Annual Report and Accounts 2023-2024 ahead of the departure of the DMO's former Chief Executive, Sir Robert Stheeman. The Accounting Officer has also been informed by the following operational committees throughout the period under review.

Other committees

Business Delivery Committee

The Business Delivery Committee reviews the status of the delivery of DMO's business and work plan as a collective cross-functional body, resolving emerging

issues in a timely way, and agreeing priorities to ensure the plan stays on track. The most significant initiatives monitored by the BDC during the year were the trading system upgrade, infrastructure upgrades, and the IT strategy.

The Business Delivery Committee met regularly (typically weekly) throughout 2024-2025.

Risk Committees

The Accounting Officer receives advice from two risk committees covering operational risk and material change programmes. More detail on the roles, responsibilities and activities of these committees can be found in the sections below.

Risk management and internal control

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the PWLB lending facility's non-discretionary policies, objectives and targets, whilst safeguarding the public funds for which they are accountable, in accordance with the responsibilities assigned to them in the Managing Public Money document.

The PWLB lending facility is managed within the wider DMO system of internal control which is based upon what the DMO Accounting Officer, with the support of the Board, considers to be appropriate, taking account of the DMO's activities, the materiality of risks inherent in those activities and the relative costs and benefits of implementing specific controls to mitigate those risks. The DMO's position differs to that of a commercial organisation in that it must always be in a position to transact the underlying business required to meet its remit. As a result, the risks associated with this activity cannot be avoided and the system of internal control can only provide reasonable assurance against failure to achieve aims and objectives.

The risk and control framework

The Board has designed and put in place a formal risk management framework covering all the activities conducted and overseen by the DMO. This framework helps ensure that the DMO Accounting Officer is appropriately informed and advised of any

identified risks and also allows the management of risks to be monitored. The framework covers both regular operations and new business initiatives, and evolves as the range and nature of the DMO's activities change. The framework is supported by a clear 'three lines of defence' model:

■ First line of defence:

Day-to-day management of risk is the responsibility of management staff within business areas. The DMO considers effective risk management to be central to its operations and fosters a risk aware culture in which all members of staff, including Board members, are encouraged to understand and own the risks that are inherent in those operations. In particular, the DMO seeks to promote an environment in which staff feel comfortable to identify new aspects of risk and changes in previously identified risks, as well as weaknesses, so that these may be assessed and appropriate mitigating actions put in place.

Mitigating actions typically include segregation of duties, staff training, clear lines of management delegation and reporting and robust business continuity arrangements.

The fixed interest rates offered by the PWLB lending facility are determined by HM Treasury in accordance with section 5 of the National Loans Act 1968. In practice the rates are calculated each day using data from one of the DMO's business critical models. The DMO has put in place a robust quality assurance framework for all the models that it uses which extends to cover validation of results and any changes in approach. An independent review of one of the business critical models in March 2025 provided assurance on the modelling and identified recommendations for further enhancements of which the priority changes will be progressed in 2025-2026.

■ Second line of defence:

Oversight of risk is provided by the Board and risk committees, whose role is to provide regular and systematic scrutiny of risk issues which lie within their remit, and to support the DMO Accounting Officer in exercising their overall responsibility for risk management.

The DMO considers that the principal risks it faces arise in three broad areas: credit risk, market risk

and operational risk. It has established committees to meet regularly to review the changing risk pattern for each of these areas and to set up appropriate responses. The work of the committees that are relevant to PWLB lending facility activities is described in more detail below.

Operational Risk Committee

The Operational Risk Committee (ORC) meets regularly to monitor operational risks and to review significant risk issues. The ORC is responsible for reviewing risk incidents identified through the DMO's risk incident reporting process, and for considering whether planned mitigating actions are appropriate. The ORC also reviews and tracks the progress of actions identified by Internal Audit. The ORC's scope includes issues relating to information risk, IT security, business continuity, anti-fraud and key supplier risks.

The ORC has advised the DMO Accounting Officer and the Board, during the year, on significant operational risk concerns, significant risk issues and trends as well as actions to mitigate such risks. This year, the ORC focussed on business continuity, information security, cyber security, physical security and personnel security. The ORC also reviewed contingency planning scenarios. The ORC met eight times during 2024-2025.

Controls Group

The Controls Group meets periodically to review issues affecting the DMO's system of internal control and to analyse material changes to the control environment. The Group recommends actions to management to implement changes where appropriate. The Controls Group consists of representatives from Finance, Risk, Compliance and Internal Audit.

The Controls Group has advised the DMO Accounting Officer, the Board and senior management on any significant risk concerns stemming from the introduction of new business activities as well as risks relating to other change management activities. The Group has also advised the DMO Accounting Officer on suitable mitigating actions where appropriate.

During the year the Controls Group reviewed key project change proposals including the escalation process of incidents, trading process enhancements, IT strategy and the trading system upgrade implementation.

Risk Management Unit

The risk committees are supported by the DMO's Risk Management Unit (RMU) which ensures key risk issues arising from these committees are communicated to the DMO Accounting Officer and senior management on a regular basis, with additional ad-hoc reporting if an emerging issue requires it. The RMU also supports the formal risk reporting processes with defined outputs, including regular detailed risk reports which are reviewed by the Board and senior management.

As well as supporting the risk committee structure, the RMU provides control advice on risks. As part of the second line of defence the RMU is separate from, and independent of, the DMO's trading operations. The RMU conducts risk analysis and provides market, credit and operational risk capability for the DMO.

The identification, monitoring and mitigation of operational risk is facilitated by the RMU via quarterly consultations with heads of business units and functional teams. Significant risk issues are assessed for materiality and probability of occurrence. New risks, and risks to which exposure is increasing, are highlighted and actions are taken to ensure effective management of all risks. The DMO has Senior Risk Owners (SROs) who undertake a cross-functional moderation process to promote better prioritisation of operational risks across the organisation. The RMU maintains a central exception log to record all risk incidents raised, in order to identify control weaknesses and assign actions to improve controls. RMU continued to carry out compliance awareness training to all staff, throughout the year.

■ Third line of defence:

The DMO's Internal Audit function is the third line of defence and provides the Accounting Officer with independent and objective assurance on the overall effectiveness of the DMO's system of internal control. It does this through a risk based work programme which is presented to and approved by the Audit and Risk Committee at the start of each year. All audits review the processes in place and where necessary raise findings relating to control weaknesses and management actions are agreed to mitigate any risks and enhance the control structure. Progress against agreed management actions is monitored on a regular basis to ensure issues highlighted by internal audit, as well as any issues raised by the external auditors, and other identified actions to improve the control

environment, are managed and progressed within agreed deadlines. The function is independent of the DMO's trading activities and operations and has a direct reporting line to the Accounting Officer as well as the chair of the Audit and Risk Committee. The work of Internal Audit includes assessing the effectiveness of both control design and control performance. With its independence and overall remit, Internal Audit provides a third line of defence against the risks that might prevent the DMO delivering its objectives.

Risk policies and procedures

The DMO's risk policies reflect the high standards and robust requirements which determine the way risks are managed and controlled. The DMO's Accounting Officer, with the support of the Board, ensures that policies are regularly reviewed to reflect any changes in the DMO's operations and/or best practice. In 2024-2025, this included policies relating to health & safety, spreadsheet control, anti-fraud, personal dealing, gifts & hospitality and anti-money laundering.

Staff are asked to confirm that they have read and accepted the DMO's rules on personal dealing and the DMO's policy on the use of information systems and technology, and that they are aware of, and will continue to keep up to date with, the DMO's policies on whistleblowing, anti-fraud, anti-money laundering and information security. The DMO ensures that this exercise is undertaken on an annual basis which helps staff to maintain a good level of awareness of the DMO's policies in these areas. All members of staff have job descriptions which include reference to the specific key risks they are expected to manage.

Managers in each business function are responsible for ensuring that the operations within their area are compliant with plans, policies, procedures and legislation.

Risk profile

The Accounting Officer and DMO Board believe that the principal risks and uncertainties facing the PWLB lending facility are outlined in the table below together with the key actions taken to manage and mitigate them:

During 2024-2025 no concerns were raised by staff under the DMO's whistleblowing policy.

Key developments

■ Geopolitical conflicts

Further to ongoing geopolitical conflicts, the DMO again continued to closely monitor actual and potential effects on activities, markets, counterparties and suppliers.

The DMO continued to work with partners across government to ensure all necessary steps were taken to maintain cyber security defences and also assurances were received from some strategic partners regarding their own arrangements, with details of the assurances put in place to mitigate against any disruption or impact. Internal assessments considered potential accounting or disclosure impacts and any effects through legal and regularity changes.

Spending Review

Risks to effective delivery of the DMO's objectives arise from the constraints associated with pressures on public sector spending. As a result, effective budgetary control continues to be a critical element of financial management of the DMO.

The DMO continues to face particular challenges due to the nature of its role. First, it faces specific additional cost increases for certain third-party services it requires in order to undertake its role in the financial markets. Second, it competes for recruitment of suitably skilled staff with private sector banks and other financial institutions which are not subject to the same remuneration constraints as the DMO. Notwithstanding these exogenous cost pressures the DMO's core objectives are non-discretionary, so it would be challenging to deprioritise certain objectives in order to reduce costs.

Principal risks and uncertainties	Mitigation and management
IT systems and infrastructure	
<p>The PWLB lending facility relies on a number of IT systems to conduct its operations. In particular, certain systems are central to the PWLB lending facility being able to advance loans and manage repayments in an effective and timely way.</p>	<p>During the year the DMO has progressed additional initiatives to further strengthen the resilience and security of its IT network and infrastructure. Strategic roadmap priorities were reviewed and the DMO carried out an internal health-check. The DMO has in place structured business continuity arrangements to ensure it is able to continue market operations in the event of an internal or external incident that threatens business operations.</p> <p>Arrangements to support critical operations were in place throughout the year with a core team in the office, support teams working from the disaster recovery site and staff working from home. Assessment of business continuity needs is also a specific requirement for new projects and major business initiatives.</p>
IT and data security	
<p>The DMO could be the subject of an external attack on its IT systems and infrastructure. Through its activities, the DMO gathers, disseminates and maintains sensitive information, including market sensitive information. The DMO seeks to ensure the highest standards of data protection and information management.</p>	<p>The DMO continues to work to maintain the required level of protective security covering physical, personnel and information security and is particularly aware of the growing threat posed by cyber security risk. IT and data security risks continued to be a specific area of focus in 2024-2025 and the DMO's IT team have been enhancing the detective, protective and recovery security controls.</p> <p>Risks to data and information held by the DMO are owned and managed by designated Information Asset Owners. The DMO has a Senior Information Risk Owner (SIRO) who is responsible for the information risk policy and the assessment of information risks. The SIRO is a member of the Board and provides advice to Board members on the management of information risks.</p> <p>The DMO has upgraded its monitoring and alerting systems throughout the infrastructure, providing improved visibility and enhancing the response to potential incidents. This year the DMO again undertook internal and independent testing to ensure defences remained robust against the changing landscape of cyber-attacks.</p> <p>This year the DMO observed a global IT outage that disrupted the financial markets, reinforcing the importance of contingency planning and mitigating third party supplier risk.</p>

Principal risks and uncertainties	Mitigation and management
Reliance on third parties	
<p>A number of the operational systems and services on which the PWLB lending facility relies are provided or supported by third party suppliers.</p>	<p>To mitigate the risk of failure of a key third party supplier the DMO undertakes regular corporate risk assessments of each key supplier to assess a range of factors including its financial strength and operational capacity, including the reliance on sub-contractors. The DMO has dedicated contract owners who meet regularly with key suppliers and monitor performance against the agreed Service Level Agreements, where appropriate.</p> <p>The procurement manager and the vendor management group have been working to embed consistent standards of supplier management across account managers by improving visibility of key contracts and continually sharing best practice. The DMO has introduced enhanced monitoring for critical suppliers (i.e. strategic partners) that focuses on risk, strategic services, relationship and corporate aspects. Scrutinised areas include inherent risks, scenario analysis, assessment of supply chain risks including fourth parties, monitoring and assessing residual risks, and mitigation planning. External consultancy work assisted with the approach.</p> <p>The DMO sought assurance that its key suppliers and strategic partners follow National Cyber Security Centre (NCSC) guidance on cyber-security. This year, further work was undertaken to explore alternative arrangements where over-reliance on particular key suppliers has been identified.</p> <p>Work has commenced to align the DMO procurement policies and procedures with the new procurement legislation and to ensure it remains up to date with the Government Functional Standard GovS 008: Commercial and Commercial Continuous Improvement Assessment Framework. The Procurement Bill received Royal Assent on 26 October 2023. It will now be referred to as the Procurement Act 2023 and came into force on 24 February 2025.</p>

Principal risks and uncertainties	Mitigation and management
Transaction processing	
<p>The PWLB lending facility relies on its operational processes to successfully advance loans and manage repayments on a daily basis. Reliance on the accurate execution of processes exposes the PWLB lending facility to operational risk arising from process breakdowns and human error.</p>	<p>A key component of the DMO's control framework is the segregation of duties to ensure independent checking and reconciliation, and to avoid concentration of key activities or related controls on individuals or small groups of staff. In particular, segregation of duties takes place between front and back office activities.</p> <p>All teams have documented procedures for their main activities and there are clearly defined authorisation levels for committing the DMO externally.</p> <p>The RMU conduct regular control and compliance testing, providing the executive sub-committee of the Board with assurance on the effectiveness of operational controls and compliance with the relevant Financial Conduct Authority and Prudential Regulation Authority rules in the dealing and settlement areas.</p> <p>The DMO also maintains a strong audit and control environment which includes a well embedded incident reporting procedure. This promotes the early identification and resolution of risk incidents and provides visibility to the Accounting Officer and the Board.</p> <p>The continued focus has been on enhanced compliance monitoring over transaction processing, to provide assurance over controls standards during remote working. During the year, operational support refresher training was provided to relevant staff to increase resilience in support roles. There were also further enhanced controls implemented for oversight of market interactions.</p> <p>This year, the DMO worked on upgrading a key trading system. In addition, a review of the PWLB collections and payments processes identified process and control enhancements that have since been implemented.</p>

Principal risks and uncertainties	Mitigation and management
People risk	
<p>The DMO, including the PWLB lending facility, relies on maintaining a sufficiently skilled workforce at all levels of the organisation in order to operate effectively and efficiently, ensuring delivery of its strategic objectives.</p>	<p>DMO recruitment activity helps ensure that individuals with the appropriate level of skill and experience are appointed at all levels within the organisation. This helps mitigate the level of human error which could result in process failures.</p>
<p>The DMO is exposed to an increased risk of operational failure if it is unable to compete for, and retain, sufficiently skilled staff over time. Competition for skilled staff is generally against employers from the private financial services sector who have historically offered higher remuneration packages that are not subject to public sector remuneration policies.</p>	<p>The DMO follows the Civil Service Commission's recruitment principles and selection process to ensure vacancies are filled on merit on the basis of fair and open competition.</p> <p>Challenges with recruitment and retention were again identified this year and were reviewed by the Advisory Board. These include pay, length of time to hire and staff turnover, particularly in more junior roles. The DMO is taking action to target these areas and seeing signs of greater stability in the workforce.</p>
	<p>The DMO has a formal performance appraisal process and all staff are given clear and achievable objectives. Progress is reviewed against these regularly.</p>
	<p>The DMO's Training and Development policy is designed to help ensure that staff have the right skills to meet its objectives. Induction training is provided to all new employees.</p>
	<p>Staff are encouraged to engage in activities which promote development and the DMO provides regular training opportunities and support for professional studies to enhance the skills base of its employees. The DMO also provides cross-training for different roles to help improve staffing flexibility and reduce turnover pressure. Teams are encouraged to ensure cross-skilling of staff to support resilience. Succession planning activities continued to identify key person risks and mitigations, with a focus on establishing deputies to provide resilience.</p>
	<p>Salaries are benchmarked annually to equivalent private sector pay levels in order to keep management aware of any significant disparities that are developing. The DMO has a policy to recognise those staff who have performed well in their roles through the payment of one-off non-consolidated performance related awards. Any awards are assessed annually by the DMO Performance Review Team. They are determined by individual performance and criteria associated with the DMO's performance management process, which are also aligned to the policy for public sector pay.</p>

Principal risks and uncertainties	Mitigation and management
	<p>Risks to our people are considered by an internal security group and include safety and physical, cyber and personnel security. This includes activity within the physical building and external factors.</p> <p>Risks from our people are also considered. As well as risks resulting from under-skilled or under resourced teams, the DMO considers insider risk, both intentional and accidental. Addressing the threat of insider risk requires a multi-disciplinary approach encompassing cyber security, human resources, line management and robust risk controls.</p> <p>In addition, the DMO has continued to benchmark Personnel Security to identify the level of competence and areas for development. The DMO will continue to increase its security culture, building on screening and monitoring of the workforce, insider risk assessment and management, investigation and disciplinary processes.</p> <p>A Staff Council has met regularly throughout the year and enabled an open exchange of ideas and views between management and staff representatives. Staff Council was consulted to discuss the future hybrid working arrangements. This has been an effective conduit for wider communication and consultation with all staff.</p> <p>On an annual basis all DMO staff are given the opportunity to take part in the Civil Service People survey. Any issues raised via this route, with suggested mitigating action if required, are considered by the Accounting Officer and the Board.</p> <p>The organisation has placed greater emphasis on undertaking key person risk analysis for succession planning. This year, HR organised management development training across the organisation to support the management group.</p> <p>The DMO is a disability confident employer.</p>

Review of effectiveness

I have reviewed the effectiveness of the system of internal control and confirm that an ongoing process designed to identify, evaluate and prioritise risks to the achievement of the PWLB lending facility's aims and objectives has been in place throughout 2024-2025. This review included an assessment of any material risk and control issues identified and reported during the relevant period.

I took over as Accounting Officer from 1 July 2024. Sir Robert Stheeman was Accounting Officer from 1 April 2024 to 30 June 2024. I am writing this statement reflecting on the work the DMO has undertaken during 2024-2025 and with due regard to the transfer of Accounting Officer responsibilities during this period. My review has been informed by the advice of the risk committees and the Advisory Board, of which I was a member throughout 2024-2025, the work of the internal auditors and the

executive managers within the DMO, who have been delegated responsibility for the development and maintenance of the internal control framework. It has also been informed by comments made by the external auditors in their management letter and other relevant reports.

In my role as Accounting Officer, I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee.

In 2024-2025, no ministerial directions were given and no material conflicts of interest have been declared by the Board or Audit and Risk Committee members in the Register of Interests.

In my opinion, the PWLB lending facility's system of internal control was effective throughout the financial year and remains so on the date I sign this statement.

Jessica Pulay

Accounting Officer

23 June 2025

Parliamentary accountability and audit report

Regularity of expenditure

The expenditure and income of the PWLB were applied to the purposes intended by Parliament.

The above statement has been audited.

Fees and charges

During the year, the PWLB's borrowers paid a fee for each new loan issued to them. These fees were paid to the DMO and accounted for within the DMO's overall budget, therefore forming part of the DMO's accounts, as described on page 11. The PWLB itself recognised no fees or charges.

The above statement has been audited.

Jessica Pulay
Accounting Officer
23 June 2025

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the PWLB lending facility for the year ended 31 March 2025 under the National Loans Act 1968.

The financial statements comprise the PWLB lending facility's:

- Statement of Financial Position as at 31 March 2025;
- Statement of Comprehensive Income and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the PWLB lending facility's affairs as at 31 March 2025 and its surplus for the year then ended; and
- have been properly prepared in accordance with the National Loans Act 1968.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United*

Kingdom (2022). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the PWLB lending facility in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the PWLB lending facility's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the National Loans Act 1968; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the PWLB lending facility and their environment and their environment obtained in the course of the audit,

I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the PWLB lending facility or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the PWLB lending facility from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury issued under the National Loans Act 1968;

- preparing the annual report in accordance with HM Treasury directions issued under the National Loans Act 1968; and
- assessing the PWLB lending facility's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the PWLB lending facility will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Loans Act 1968.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance

including the design of the PWLB lending facility's accounting policies;

- inquired of management, the PWLB lending facility's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the PWLB lending facility's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the PWLB lending facility's controls relating to the PWLB lending facility's compliance with the National Loans Act 1968 and Managing Public Money;
- inquired of management, the PWLB lending facility's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the PWLB lending facility for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the PWLB lending facility's framework of authority and other legal and regulatory frameworks in which the PWLB lending facility operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the PWLB lending facility. The key laws and regulations I considered in this context included the National Loans Act 1968 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to

any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

24 June 2025



Accounts of the PWLB



Statement of comprehensive income

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Interest income	2, 3	3,579	3,332
Total income		3,579	3,332
Interest payable to National Loans Fund		(3,579)	(3,332)
Surplus for the year		-	-

The notes on pages 46 to 54 form part of these accounts.

Statement of financial position

As at 31 March 2025

	Note	2025 £m	2024 £m
Assets			
Cash and balances at bank		1,383	675
Loans	4, 5	110,472	103,724
Total assets		111,855	104,399
Liabilities			
Amounts owed to National Loans Fund	7	111,855	104,399
Total liabilities		111,855	104,399

The notes on pages 46 to 54 form part of these accounts.

Jessica Pulay
Accounting Officer
23 June 2025

Statement of cash flows

For the year ended 31 March 2025

	Note	2025 £m	2024 £m
Net cash used in operating activities	8	(3,169)	(4,148)
Financing activities			
Interest paid to National Loans Fund		(3,507)	(2,817)
Increase in loan principal outstanding to National Loans Fund		7,384	7,510
Net cash from financing activities		3,877	4,693
Increase in cash		708	545
Cash at the beginning of the year		675	130
Cash at the end of the year		1,383	675

The notes on pages 46 to 54 form part of these accounts.

Notes to the accounts for the year ended 31 March 2025

1 Accounting policies

(i) Basis of preparation

The accounts have been prepared in accordance with an accounts direction given by HM Treasury and in accordance with UK adopted international accounting standards as adapted or interpreted for the public sector context by the Government Financial Reporting Manual (FReM) in so far as they are appropriate for the PWLB. The accounts have been prepared under the historical cost convention and on a going concern basis in line with the requirements of the FReM.

In particular, the following standards have been applied:

- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events After the Reporting Period
- IAS 24 Related Party Disclosures
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Certain IFRS have been issued or revised, but are not yet effective. Those issues or revisions expected to be relevant in subsequent reporting periods are:

- IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures
 - These have been amended by *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)* to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 Financial Instruments. Application is required for reporting periods beginning on or after 1 January 2026. The PWLB expects to apply these revisions to IFRS 9 and IFRS 7 in 2026-2027. The application of these revisions, which affect specific issues relating to derecognition of certain financial liabilities, classification of certain financial assets and specific disclosures, are not expected to materially alter the presentation of the financial statements of the PWLB.
 - These have been amended by *Annual Improvements to IFRS Accounting Standards — Volume 11*. Application is required for reporting periods beginning on or after 1 January 2026. The PWLB expects to apply these revisions to IFRS 9 and IFRS 7 in 2026-2027. The application of these revisions, which address a small number of very specific issues relating to IFRS 9 and IFRS 7, are not expected to materially alter the presentation of the financial statements of the PWLB.
- IFRS 18 Presentation and Disclosure in Financial Statements, which is a new standard issued by the International Accounting Standards Board. Application is required for reporting periods beginning on or

after 1 January 2027. The PWLB expects to apply IFRS 18 in 2027-2028. The application of IFRS 18, which replaces IAS 1 'Presentation of Financial Statements', aims at improving how entities communicate in their financial statements. This will likely alter the presentation of the financial statements of the PWLB.

(ii) Financial assets and income recognition

The PWLB's loans are financial assets held by the PWLB in order to collect contractual cash flows of principal and interest on specified dates. These loans are therefore treated as financial assets measured at amortised cost.

Loans are recognised when cash is advanced to borrowers and are derecognised when borrowers settle their obligations.

All loans are recognised initially at fair value, representing the amount advanced to the borrower. Loans are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the instrument. When calculating the effective interest rate, cash flows are based on the contractual terms of the loan. Owing principally to the long maturities of most loans and the volatile pattern of premature repayments, the actual cash flows and the expected lives of the loans cannot be estimated reliably. Thus premiums and discounts on premature repayments are recognised when received and paid.

The fair value of loans outstanding, disclosed in note 5 to the accounts, is calculated as the aggregate net present value of future cash flows on each individual loan. These future cash flows are discounted at the PWLB's new loan rates at 31 March 2025.

(iii) Financial liabilities

All the PWLB's liabilities relate to monies drawn from the National Loans Fund for the purpose of issuing loans to the PWLB's borrowers. All principal and interest payments receivable by the PWLB, along with any premiums for prematurely repaying, are repayable to the National Loans Fund. Therefore all the PWLB's assets are also liabilities payable to the National Loans Fund. For this reason, the PWLB's liabilities are valued in the same way as the corresponding assets.

Liabilities are recognised when cash is advanced to the PWLB from the National Loans Fund and derecognised when cash is paid back to the National Loans Fund.

(iv) Statement of changes in equity

These accounts do not present a statement of changes in equity, since all the funding of the PWLB is provided by the National Loans Fund, and matches the amount loaned by the PWLB to borrowers. The change in net funding is therefore already disclosed in the statement of financial position, which demonstrates the change in amounts owed to the National Loans Fund due to changes in the PWLB's loan portfolio.

2 Interest income

	2025 £m	2024 £m
Contractual interest income for fixed rate loans	3,749	3,342
Contractual interest income for variable rate loans	4	27
Discount on premature repayments	(174)	(37)
	3,579	3,332

3 Interest income by country

	2025 England £m	2025 Wales £m	2025 Scotland £m	2025 Total £m
Fixed rate loans	2,843	205	527	3,575
Variable rate loans	4	-	-	4
	2,847	205	527	3,579

	2024 England £m	2024 Wales £m	2024 Scotland £m	2024 Total £m
Fixed rate loans	2,673	197	435	3,305
Variable rate loans	27	-	-	27
	2,700	197	435	3,332

4 Loans

	2025 £m	2024 £m
Fixed rate loan principal	109,721	102,363
Variable rate loan principal	-	463
Loan principal outstanding	109,721	102,826
Accrued income on fixed rate loans	751	896
Accrued income on variable rate loans	-	2
Accrued income	751	898
Value of loans outstanding	110,472	103,724

5 Loan principal

5a Loan principal outstanding - analysis by fixed and variable rate loans (and comparison with carrying value and fair value) and weighted average interest rate

	2025 Loan Principal	2025 Carrying Value	2025 Fair Value	2025 Weighted average interest rate
	£m	£m	£m	%
Fixed rate loans	109,721	110,472	86,409	3.69
Variable rate loans	-	-	-	-
	109,721	110,472	86,409	3.69

	2024 Loan Principal	2024 Carrying Value	2024 Fair Value	2024 Weighted average interest rate
	£m	£m	£m	%
Fixed rate loans	102,363	103,259	83,850	3.59
Variable rate loans	463	465	465	6.11
	102,826	103,724	84,315	3.60

The fair value is the net present value of all future contractual cash flows for each loan. These cash flows are discounted at the PWLB's new loan interest rates at 31 March 2025.

The weighted average period to maturity of fixed rate loans at 31 March 2025 was 19.6 years (31 March 2024: 22.4 years).

At 31 March 2025, £150 million of loans (31 March 2024: £93 million) had been confirmed, but not yet advanced.

At 31 March 2025, there were no loans which borrowers had confirmed their intention to prematurely repay (31 March 2024: none). Such repayments are not reflected in the statement of financial position until the cash has been repaid by the borrower.

5b Loan principal outstanding – analysis by period till maturity and period of interest rate fix

	2025 Principal outstanding by period till maturity £m	2025 Principal outstanding by period of interest rate fix* £m	2024 Principal outstanding by period till maturity £m	2024 Principal outstanding by period of interest rate fix* £m
Up to 1 month / repayable on demand	602	602	420	883
More than 1 month but not more than 3 months	1,002	1,002	473	473
More than 3 months but not more than 1 year	7,769	7,769	5,817	5,817
More than 1 year but not more than 5 years	20,582	20,582	15,007	14,907
More than 5 years but not more than 10 years	15,399	15,399	14,377	14,014
More than 10 years but not more than 20 years	14,929	14,929	16,156	16,156
More than 20 years but not more than 30 years	14,836	14,836	13,943	13,943
More than 30 years but not more than 40 years	19,760	19,760	20,378	20,378
More than 40 years	14,842	14,842	16,255	16,255
	109,721	109,721	102,826	102,826

* This indicates the period for which interest rates are fixed for all PWLB loans outstanding. This is the next re-pricing date for variable rate loans and the maturity date for fixed rate loans. Variable rate loans are only available to borrowers up to a maximum period till maturity of 10 years. All loans with a period till maturity of greater than 10 years are therefore fixed rate loans with equal periods till maturity and periods of interest rate fix. There were no variable rate loans outstanding at 31 March 2025.

5c Loan principal outstanding - analysis by country

	2025 Principal outstanding £m	2024 Principal outstanding £m
England	89,629	84,850
Wales	5,168	4,922
Scotland	14,924	13,054
	109,721	102,826

6 New loans advanced, loans maturing and premature repayments of loan principal

	2025 £m	2024 £m
New loans advanced	14,642	11,202
Loans maturing	(6,783)	(3,595)
Loans prematurely repaid	(964)	(419)
Net increase in loan principal	6,895	7,188

7 Amounts owed to National Loans Fund

	2025 £m	2024 £m
Loan principal outstanding to borrowers	109,721	102,826
Accrued income on loans to borrowers	751	898
	110,472	103,724
Loan repayments not yet surrendered to National Loans Fund	1,383	675
	111,855	104,399

8 Reconciliation of operating income to net cash used in operating activities

	Note	2025 £m	2024 £m
Operating income	2	3,579	3,332
Increase in loan principal outstanding to customers	6	(6,895)	(7,188)
Decrease / (Increase) in accrued income	4	147	(292)
Net cash used in operating activities		(3,169)	(4,148)

9 Risk management

The PWLB's management of its risk exposure is described below.

Credit risk

Credit risk is the risk that a counterparty will fail to discharge a contractual obligation, resulting in financial loss to the PWLB. Since all the PWLB's assets are also liabilities payable to the National Loans Fund, any such loss would be borne by the National Loans Fund.

Risk measurement

The credit risk exposures of the PWLB are shown below:

At 31 March 2025	Cash held at bank £m	Major local authorities £m	Parish councils and drainage boards £m	Harbour boards £m	Total £m
Cash and balances at bank	1,383	-	-	-	1,383
Loans outstanding to borrowers	-	110,207	264	1	110,472
Total	1,383	110,207	264	1	111,855
Loans confirmed but not advanced	-	150	-	-	150

At 31 March 2024	Cash held at bank £m	Major local authorities £m	Parish councils and drainage boards £m	Harbour boards £m	Total £m
Cash and balances at bank	675	-	-	-	675
Loans outstanding to borrowers	-	103,463	260	1	103,724
Total	675	103,463	260	1	104,399
Loans confirmed but not advanced	-	93	-	-	93

The PWLB's banking services are provided by the Government Banking Service.

The value of the loans above are based on carrying amounts as reported in the statement of financial position.

There were no overdue loan repayments at 31 March 2025 (31 March 2024: less than £1 million).

There were no renegotiated loans or assets considered impaired at 31 March 2025 (31 March 2024: no renegotiated loans or impaired assets).

Loans for which payment schedules have been amended in order to facilitate more efficient administration by local authorities are not considered to constitute renegotiated loans in credit risk terms.

As directed by the FReM, the PWLB does not assess its loans for impairments categorised as stage-1 (12 month expected credit losses) and stage-2 (lifetime expected credit losses) under IFRS 9. This is in accordance with the FReM's IFRS 9 adaptations, as recorded in its 'Interpretations and adaptations for the public sector context.' There were no loans categorised as stage-3 (where a loan is considered credit impaired) as at 31 March 2025 (31 March 2024: none).

The PWLB does not issue any financial guarantees.

Risk management

The PWLB lending facility is only available to local authorities and other prescribed bodies.

In accordance with HM Treasury's lending policy for PWLB, PWLB does not differentiate borrowers by credit rating. Where relevant, it applies any concessionary rates applicable under the lending policy.

As stated on page 8, HM Treasury is legally required, before advancing a loan from the PWLB, to be satisfied that there is sufficient security for the loan's repayment. In dealing with applications, the DMO on behalf of HM Treasury will ask the local authority for assurances that the authority is acting properly and according to statute. The DMO and HM Treasury will rely on the answers to these questions. Loans are automatically secured by statute on the revenues of the authority and HM Treasury will not refuse an application if satisfied that it conforms to the policy framework governing the lending arrangements. When local authorities borrow, they must have regard to the Prudential Framework as set out by the Chartered Institute of Public Finance and Accountancy and by the Ministry of Housing, Communities & Local Government, the Scottish Government or Welsh Government as applicable to ensure they are borrowing prudently. HM Treasury may refer to these bodies or seek further assurance from the local authority to satisfy itself about the conformity of a loan application.

Parish, town and community council applicants for loans need borrowing approval from the Ministry of Housing, Communities & Local Government, or, in the case of Welsh councils, the Welsh Government. Drainage board applicants for loans need a loan sanction from the Department for Environment, Food & Rural Affairs.

Loans to harbour boards are secured on property and are made only with the provision of a guarantee from the local authority. In addition, the business plan is reviewed. No new loans were made to harbour boards in the period ended 31 March 2025 (31 March 2024: no loans).

HM Treasury continuously monitors its total PWLB lending against a limit set by statute.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises interest rate risk, currency risk and other price risk. The PWLB's activities do not give rise to interest rate risk for the PWLB itself, but form part of the interest rate risk profile of the National Loans Fund.

There is no exposure to currency risk or other price risk.

Liquidity risk

Liquidity risk is the risk that the PWLB will encounter difficulty in meeting obligations associated with financial liabilities.

The PWLB's activities are not considered to give rise to liquidity risk for the PWLB itself, but rather form part of the liquidity risk profile of the National Loans Fund. The PWLB's cash flow requirements are forecast and monitored daily.

10 Related party transactions

The PWLB is a lending facility of HM Treasury operating within the DMO, an executive agency of HM Treasury. During the year, the PWLB had a significant number of material transactions with the National Loans Fund, a fund which is administered by HM Treasury. The National Loans Fund lends cash to the PWLB so that it can subsequently lend the cash to its borrowers. In turn, the PWLB will return cash to the National Loans Fund as interest payments on loans are received and loans are redeemed.

The total amount owed by the PWLB to the National Loans Fund at 31 March 2025 was £111,855 million (31 March 2024: £104,399 million).

The Accounting Officer and other key management personnel of the PWLB had no transactions with the PWLB during the year and were remunerated by the DMO.

11 Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the Accounting Officer authorises the accounts for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.



Accounts Direction



Accounts Direction given by HM Treasury in accordance with section 3(6) of the National Loans Act 1968

1. This accounts direction applies to the function of HM Treasury called the PWLB lending facility.
2. The PWLB lending facility is the function relating to “local loans” (as defined in section 3(12) of the National Loans Act 1968), as transferred to HM Treasury pursuant to Art 4 of The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020.
3. The UK Debt Management Office, on behalf of HM Treasury, will prepare the Annual Report and Accounts in respect of the PWLB lending facility for the period starting 1 April 2019 until 31 March 2020 and each subsequent financial year, which give a true and fair view of its state of affairs at the reporting date, and of its income and expense and cash flows for the year then ended.
4. The accounts shall be prepared in accordance with applicable accounting standards, and shall be consistent with relevant requirements of the extant Government Financial Reporting Manual.
5. The accounts shall present a statement of comprehensive income, a statement of financial position and a statement of cash flows. The statement of financial position shall present assets and liabilities in order of liquidity.
6. The notes to the accounts shall include disclosure of assets and liabilities, and of income and expense, relating to other central government funds including the National Loans Fund.
7. The report shall include:
 - (i) a performance report, including information on financial performance and financial position;
 - (ii) an accountability report, including a governance statement.
8. This accounts direction shall be reproduced as an appendix to the accounts.
9. This accounts direction supersedes all previous accounts directions issued by HM Treasury.

Vicky Rock

Interim Director, Public Spending Group
HM Treasury
2 March 2020

This publication is available in electronic form on the DMO website www.dmo.gov.uk.

All the DMO's publications and a wide range of data are available on its website.

Alternatively, the DMO can be contacted at:

United Kingdom Debt Management Office
The Minster Building
21 Mincing Lane
London
EC3R 7AG
United Kingdom

