United Kingdom
Debt Management
Office

DMO Annual Review 2025-26

21 August 2026

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Foreword by the DMO Chief Executive

The financial year 2025-26 saw the DMO successfully deliver its financing programme in the context of global macroeconomic volatility and an elevated borrowing requirement. Planned gilt sales of £303.7 billion and net issuance of Treasury bills (T-bills) for debt management purposes of £11 billion represented the second-highest financing remit in the DMO's history – exceeded only by the remit in 2020-21 to finance the government response to the COVID-19 pandemic.

We continued to implement a balanced and diversified conventional gilt issuance programme across a range of maturities, but with an increase in short gilt issuance and a reduction in long gilt issuance relative to the previous year. This approach reflected market feedback about the structure of demand, our own analysis of the relative cost-effectiveness of different gilt maturities, as well as practical and operational considerations given the overall size of the financing programme.

The financing remit in 2025-26 was successfully delivered. We retained flexibility in our financing programme to adapt issuance in response to changes to demand and market conditions as the year progressed. This was enhanced by a notable adaptation: the initially unallocated portion of gilt issuance was increased significantly - to £27.5 billion - at the Spring Statement in March 2025, relative to an initial amount of £10.0 billion announced in March 2024 for the 2024-25 financing remit. This allowed us to introduce programmatic gilt tenders to deliver part of the programme via a more flexible and innovative issuance method, with market consultation taking place about the size and choice of gilts shortly before each transaction was scheduled. Proceeds were drawn down from the enlarged initially unallocated portion.

The backdrop to 2025-26 introduced other challenges for delivery of the financing programme, including periods of volatility in international financial markets. Alongside this, the DMO's net financing requirement rose in-year to a more elevated level, resulting in total planned gilt sales of £303.7 billion.

- The original gilt financing remit for 2025-26 was announced on 26 March 2025 with planned gilt sales of £299.2 billion (including planned green gilt sales of £10.0 billion).

- Following publication of the outturn of the 2024-25 financing requirement on 23 April 2025, planned gilt sales for 2025-26 were marginally decreased to £299.1 billion, with an alteration to the planned conventional gilt issuance split away from long and towards short gilts.

- At Budget 2025 on 26 November 2025, alongside the publication of the Office for Budget Responsibility's Economic and Fiscal Outlook, an increase of £4.6 billion in planned gilt sales, to £303.7 billion, was announced. In addition, the net contribution of T-bills to debt financing was increased to £11.0 billion from £10.0 billion. Overall, the DMO's net financing requirement for 2025-26 increased by £5.6 billion to £314.7 billion.

Outturn gilt sales in 2025-26 of £303.9 billion stood £4.7 billion higher than the initial remit plan in spring 2025 and represented a 2.1% increase on the DMO's £297.7 billion gilt remit outturn in 2024-25. The outturn included green gilt sales of £10.0 billion as planned.

Alongside gilts, there was also sustained demand for T-bills in the year as they continued to attract considerable interest from domestic and international investors.

In 2025-26, the DMO also continued to perform strongly in carrying out its cash management function, meeting the financial obligations of the UK government on every business day. The DMO's cash management activities resulted in trading turnover of £7.1 trillion during 2025-26.

With the Budget on 26 November 2025, the government announced its intention to launch a consultation on expanding and deepening the UK T-bill market. The consultation was launched on 5 January and closed on 27 February 2026. HM Treasury and the DMO have announced that any decisions taken around the expansion and deepening of the T-bill market will be communicated in the 2026-27 financial year, with sufficient notice to give the market time to prepare. The government published its response to the consultation on 5 May 2026.

The PWLB lending facility has continued to fulfil its statutory function in lending to local authorities and councils on a non-discretionary basis. At 31 March 2026, the PWLB's loan assets outstanding were £117.8 billion. 1,305 new loans totalling £18.5 billion were advanced during the financial year. During 2025-26, the DMO again provided a cost-effective service to its clients through the fund management operations of the Commissioners for the Reduction of the National Debt (CRND). The market value of these funds was £101.8 billion at 31 March 2026.

In November 2024, the Chancellor of the Exchequer announced the launch of a pilot Digital Gilt Instrument (DIGIT) issuance. As an experimental issue outside the DMO's gilt issuance programme, the DMO and HM Treasury are together exploring through DIGIT how digital ledger technology can be applied to UK government debt issuance processes. On 12 February 2026, the government appointed HSBC as the platform provider for DIGIT pilot issuance following a competitive procurement process. The Chancellor of the Exchequer announced in the Mansion House Speech 2026 that the government has confirmed its intention to issue the first Digital Gilt Instrument no later

than the first quarter of 2027, and intends to prepare for potential further issuances, subject to the success of the first transaction.

Heading into my third year as Chief Executive Officer, I would like to express my gratitude to DMO employees for their outstanding contribution to the DMO's achievements in 2025-26. I would also like to thank our market counterparties and other core stakeholders for their continued support for the UK government's financing programme.

Jessica Pulay
Chief Executive Officer
UK Debt Management Office

Chapter 1
Economic conditions and the gilt market in 2025-26

Macroeconomic developments

Inflation outcomes were mixed across advanced economies during 2025-26 in the context of an uncertain macroeconomic environment – which was driven, among other factors, by geopolitical developments and changes to US trade policy. In the UK, CPI inflation rose steadily during the early part of the financial year to a peak of 3.8% before falling back somewhat. US inflation rates also remained elevated and increased over the year. Underlying inflation dynamics across both jurisdictions largely reflected, to varying degrees, the evolution of energy prices, increases in food price inflation and the residual effect on measures of core inflation from the shocks of previous years. In the UK the effects of administered prices also provided some additional upward momentum, as did tariff increases in the US. Eurozone inflation, by contrast, moderated and remained around its 2% target for most of the year, largely owing to continued normalisation of wage growth back to levels consistent with the inflation target, with negative contributions to the headline inflation rate also coming from energy prices.

Labour market conditions continued to ease from the exceptionally constrained environment of previous years, although overall employment conditions remained resilient by historical standards. In the UK, the unemployment rate rose to 5.2%, reflecting subdued labour demand and increased labour costs, while wages growth continued to moderate. Labour demand also eased in the US, with slower payroll growth, declining job openings and wage pressures continuing to reduce. The Eurozone proved somewhat more resilient, however, with its unemployment rate remaining historically low at around 6.3% and wage growth continuing to decelerate gradually. Across all three regions, the dominant themes were slower hiring rather than large-scale job losses, easing but still-positive wage growth, and growing attention to structural issues - including productivity weakness (excluding the US), demographic pressures and the early labour market effects of Artificial Intelligence (AI) adoption.

Growth rates varied across jurisdictions. The US continued to outperform other advanced economies, supported by relatively robust domestic demand and continued growth in productivity and investment. In the UK, economic growth remained subdued and uneven through the year, largely reflecting modest consumer resilience which was in part supported by improvements in real income growth as inflation moderated. Similarly, activity in the Eurozone remained relatively subdued, due to some weakness

in the manufacturing sector, particularly in Germany, alongside weaker global demand amid elevated geopolitical uncertainty.

Monetary policy background

Against a backdrop of underlying disinflationary momentum, less constrained labour markets and some signs of spare capacity, central banks were able to reduce the degree of policy restrictiveness over the period. In the UK, the Bank of England's Monetary Policy Committee (MPC) reduced Bank Rate by 75 basis points (bp) cumulatively through the financial year to 3.75%, which is 1.5 percentage points lower than its peak in 2023. The MPC largely maintained a "gradual and careful" approach to reducing Bank Rate through the year, before shifting to a more neutral stance following the start of conflict in the Middle East at the end of the financial year.

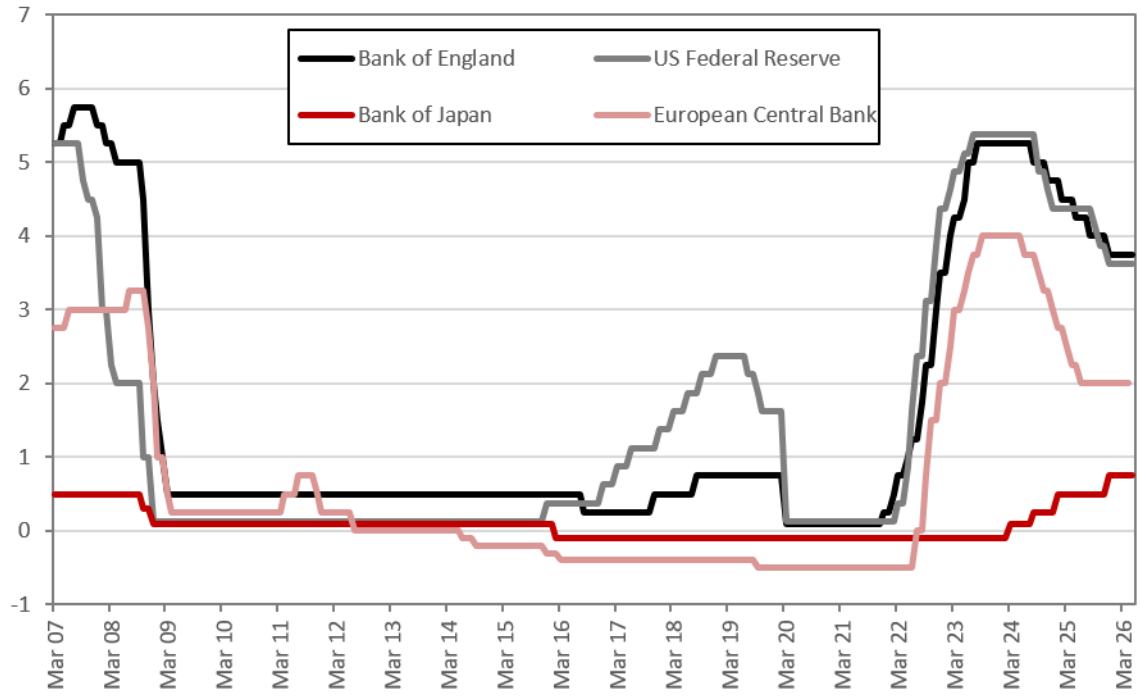
Owing to a faster pace of disinflationary progress in the Eurozone, and the return of inflation to target, the European Central Bank's (ECB's) Governing Council was able to continue its rate cutting cycle somewhat faster. The ECB reduced its deposit rate at consecutive meetings early in the financial year to 2% and maintained that level for the remainder of the period. The US Federal Reserve's Federal Open Market Committee (FOMC) kept rates on hold for the first half of the year, in part reflecting the risks to the inflation outlook in light of the evolution of US trade policy. Notwithstanding this, the FOMC subsequently reduced its target range by 75bp cumulatively during the second half of 2025, in response to additional downside risks to the employment outlook.

Despite these reductions in interest rates, policymakers continued to characterise their stances as restrictive in both the UK and the US, while in Europe the ECB assessed that policy had returned to neutral territory. Japan remained an outlier among developed markets, continuing its gradual process of monetary policy normalisation after ending negative interest rates in 2024. The Bank of Japan (BoJ) maintained a cautious tightening stance, increasing its policy rate by 25bp over the financial year while emphasising that policy would remain accommodative. Over the period, the BoJ also continued tapering its Japanese government bond (JGB) purchases, while remaining alert to volatility in yields and the yen.

Other central banks continued to take steps to reduce the size of their balance sheets, continuing the trend of recent years. In the UK, the MPC concluded its 2024-25 Quantitative Tightening (QT) annual cycle in September 2025, during which the stock of gilts held for monetary policy purposes had been reduced by £100 billion. The MPC also announced that it would reduce its stock of gilt holdings by a further £70 billion from October 2025 to September 2026, comprising both regular redemptions of gilts and continued active sales, with emphasis on the short and medium maturity sectors better to reflect demand conditions.

By contrast, having slowed its pace of QT from April 2025, the Federal Reserve's QT programme concluded in December 2025, with the FOMC judging that reserves balances had declined sufficiently that they were now "ample" and, therefore, it would recommence reinvestments of proceeds from maturing assets. The ECB also continued to reduce its stock of assets via redemptions through the period.

Chart 1: Major central bank rates (%)



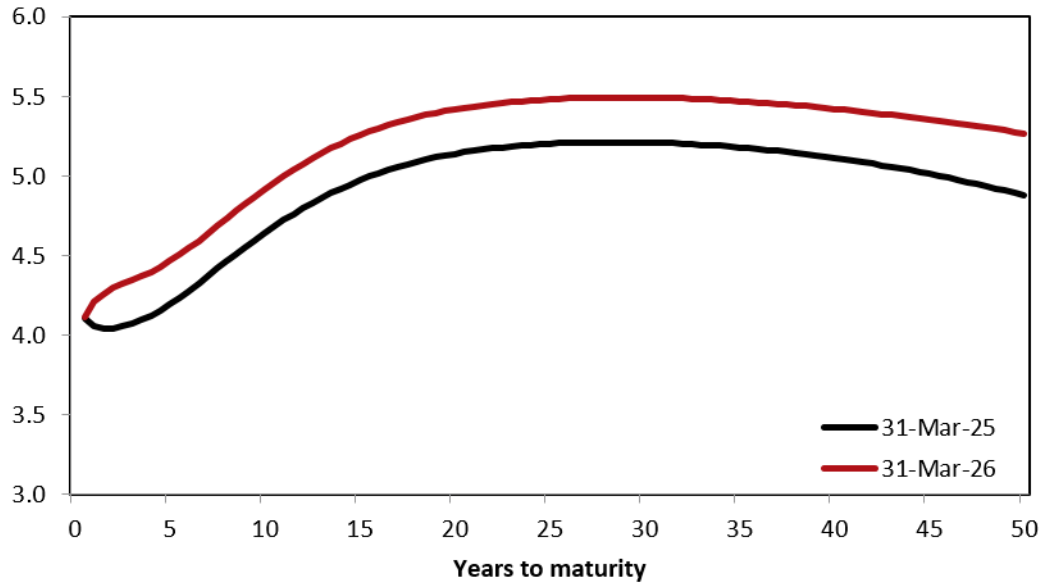
Source: Bloomberg

Gilt market developments

Nominal par gilt yields[1]

Nominal par gilt yields[2] had risen across the curve by the end of 2025-26. 5-year par yields increased by 27 basis points (bp) over the year to 4.47%; 10-year par yields increased by 28bp to 4.92%; 30-year par yields increased by 28bp to 5.49%; and 50-year par yields increased by 39bp to 5.27%.

Chart 2: Nominal par gilt yield curves 2025-26 (%)



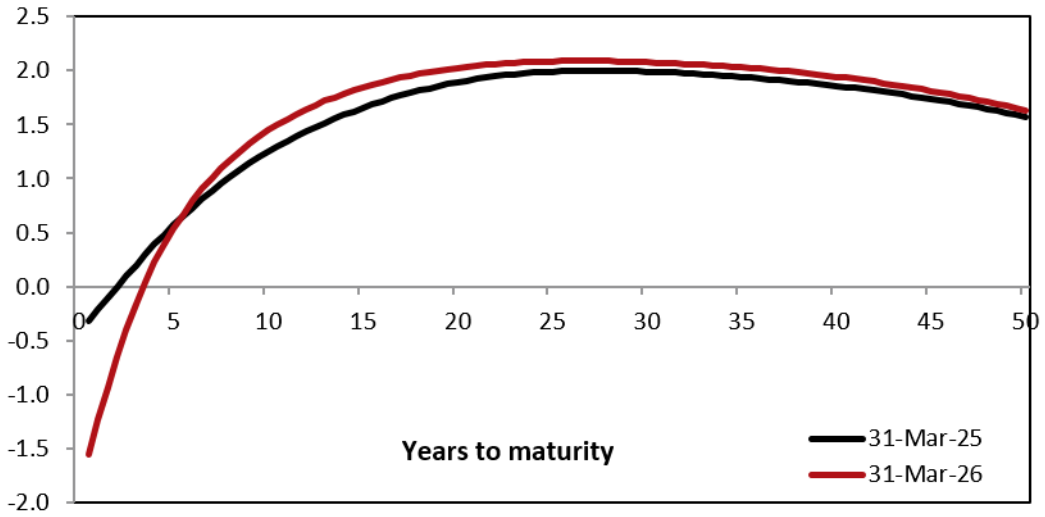
Source: DMO

Real par gilt yields

Real par yields increased across most of the curve during 2025-26, except for sub-5-year maturities, which fell. 5-year real par yields fell by 3bp to 0.54%; 10-year real par yields rose 20bp to 1.45%; 30-year real par yields rose by 9bp to 2.08%; and 50-year real par yields increased by 6bp to 1.63%.

[1] A par yield curve is a graphical representation of the yields of a range of bonds with different maturities, priced at par. On the par yield curve, the coupon rate on each bond will equal the yield-to-maturity of that bond. The changes referred to here are obtained by comparing yields at 31 March 2025 with yields on 31 March 2026.
[2] Yield figures are synthetic and derived from a fitted curve.

Chart 3: Real par gilt yield curves 2025-26 (%)



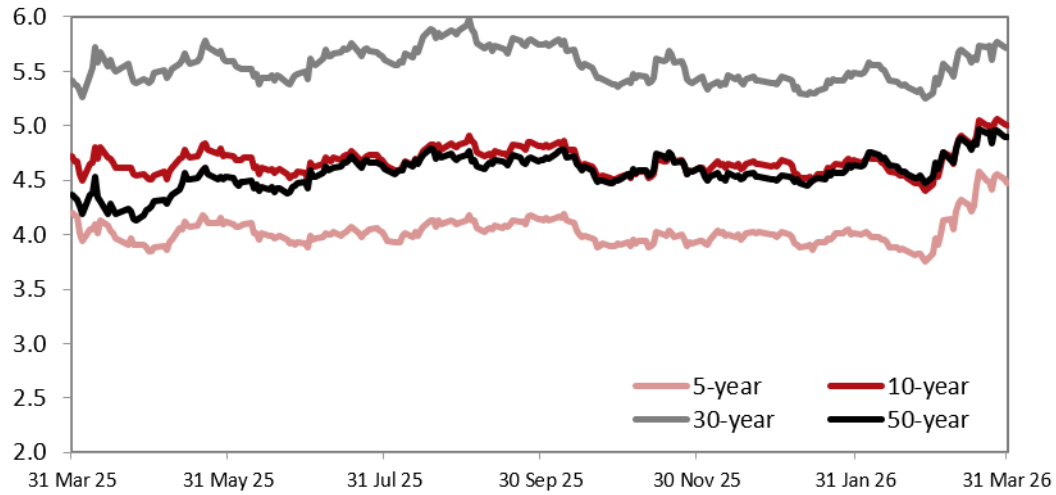
Source: DMO

Nominal yields

Chart 4 shows the path of fitted conventional gilt yields at 5-, 10-, 30-, and 50-year maturities during 2025-26[3]. The 5-year yield spread to other maturities notably widened from April 2025 as investors' preferences shifted to shorter-dated debt. Yields were relatively range-bound throughout the year, with gilt yields falling in September 2025 and January 2026 as the Bank of England reduced Bank Rate. Yields across the curve rose from the end of February 2026 onwards as inflation and interest rate expectations shifted following the outbreak of the war in Iran. Over the financial year, 5-year nominal gilt yields increased by 27bp to 4.48%; the 10-year rose by 28bp to 5.00%; the 30-year increased by 30bp to reach 5.71%; and the 50-year increased by 52bp to end the financial year at 4.89%.

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

Chart 4: Nominal gilt yields 2025-26 (%)



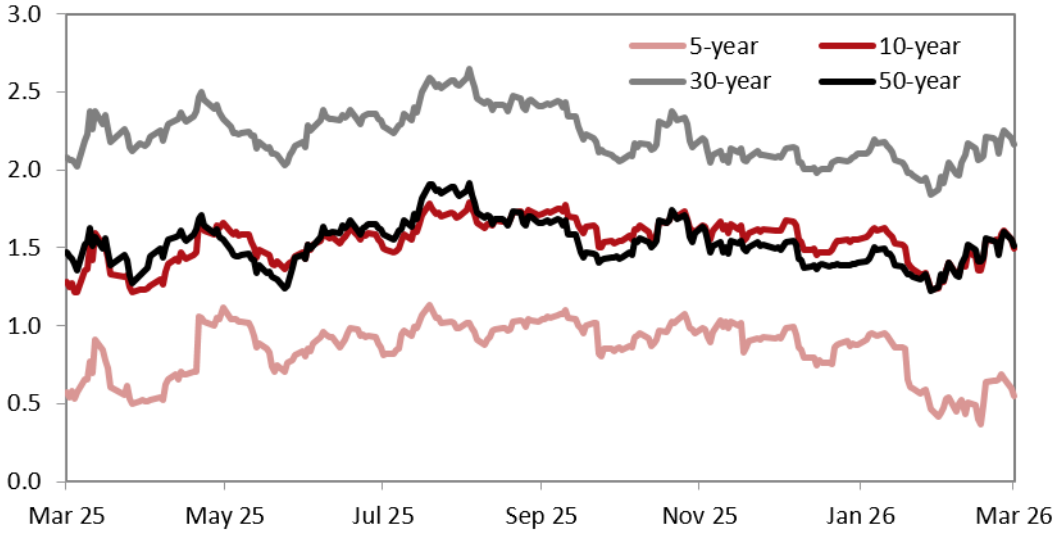
Source: DMO

Real gilt yields

Chart 5 shows the real yields on selected index-linked gilt maturities in 2025-26[4]. Real yields across the curve peaked in July 2025, having risen relative to end-March 2025 levels, before falling slightly until February 2026. While real yields rose across the curve in response to the war in Iran, the increase in 5-year real yields was far less pronounced, reflecting the fact that inflation in the medium-term was the primary component of higher nominal yields in this maturity area. In 2025-26, the 5-year real yield fell by 2bp; the 10-year increased by 22bp to 1.50%; the 30-year rose 8bp to 2.16%; and the 50-year increased by 4bp, reaching 1.51%.

[4] In contrast with Chart 3, Chart 5 reflects observable spot yields at different points across the real gilt yield curve during the financial year, which will result in different values when comparing the two charts.

Chart 5: Real gilt yields 2025-26 (%)



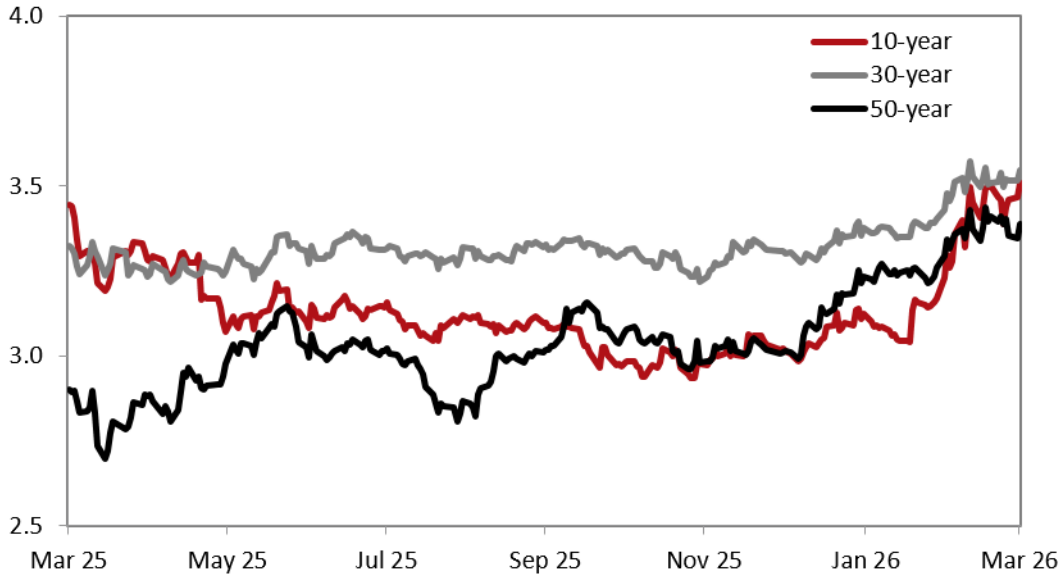
Source: DMO

Break-even inflation rates[5]

10-year break-even inflation rates (BEIRs) fell and 50-year BEIRs rose in the first two months of the financial year. 50-year BEIRs fell in August 2025 before rising again the following month. BEIRs across maturity ranges rose at end-February 2026 – this was most pronounced in the 10-year rate. 10-year BEIRs rose by 6bp (to 3.51%) in 2025-26, 30-year BEIRs rose by 22bp (to 3.55%), and 50-year BEIRs rose by 49bp (to 3.39%).

[5] The break-even inflation rate is the annual average inflation rate which, if realised, would equate the nominal yield of a conventional gilt to that of an index-linked gilt of the same maturity; i.e., the rate at which (other things being equal) an investor would be indifferent between holding either type of gilt.

Chart 6: 10-, 30-, and 50-year break-even inflation rates 2025-26 (%)

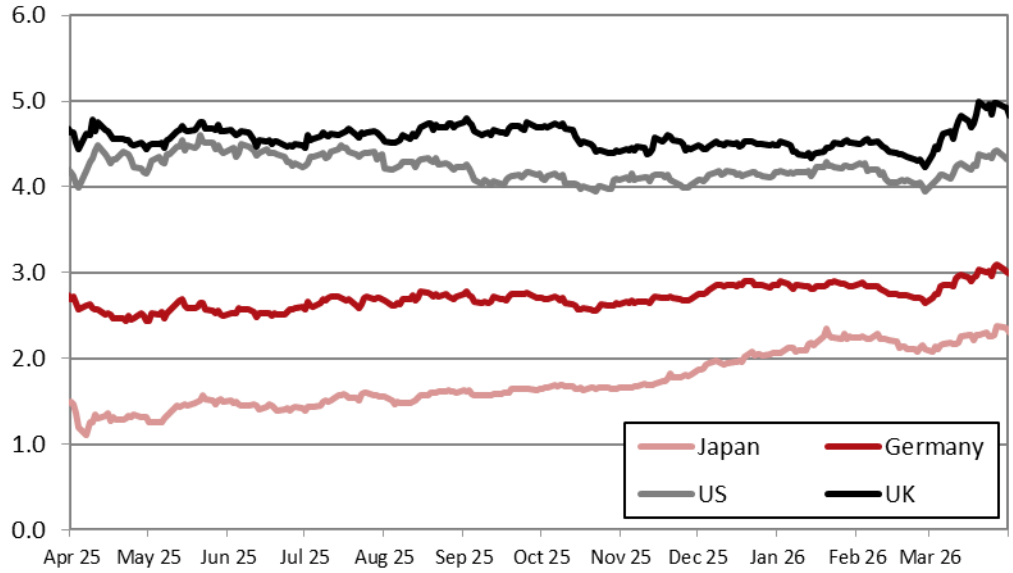


Source: DMO

International comparisons

10-year government bond yields across developed markets were driven primarily by concerns about inflation, geopolitical events and fiscal credibility. Gilt yields rose in August 2025 amid fiscal concerns, while US yields fell in August and September 2025 as the slowing economy drove expectations of future interest rate cuts. Rising Japanese government bond yields from the end of 2025 reflected expectations about the Bank of Japan's policy direction and fiscal expansion announced under the new government. Yields across developed markets rose markedly from the end of February 2026 following the outbreak of the war in Iran, particularly given the economic effects associated with the closure of the Strait of Hormuz. Over 2025-26, 10-year sovereign bond yields rose by 24bp in the UK, 27bp in Germany, 86bp in Japan and 11bp in the US.

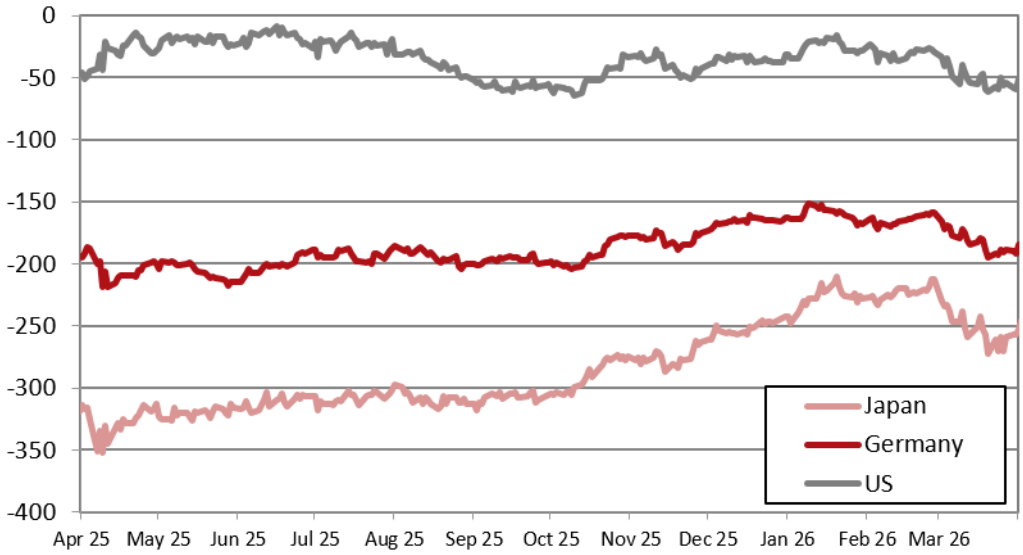
Chart 7: Selected international 10-year benchmark yields 2025-26 (%)



Source: Bloomberg

10-year gilt yields moved broadly in line with international peers in the first four months of the financial year, but underperformed US Treasuries in August and September 2025, driven by differences in monetary policy expectations. The UK outperformed peers in October 2025 as the unemployment rate unexpectedly rose and inflation data were lower than expected. Spreads to 10-year gilts widened following the outbreak of the war in Iran, given more dramatic changes to interest rate expectations in the UK and a relatively higher reliance on gas imports than peers. Compared with the start of the financial year, Japanese spreads to 10-year gilt yields tightened by 57bp, while the gilt spreads to Bunds tightened by 3bp but widened by 13bp to US Treasuries.

Chart 8: Selected international 10-year benchmark bond yield spreads to 10-year gilts in 2025-26 (bp)



Source: Bloomberg

Gilt market turnover

Aggregate gilt market turnover in 2025-26, as reported by the Gilt-edged Market Makers (GEMMs)[6] rose by 7.7% compared with the previous financial year to £12.1 trillion. Turnover rose in short conventional gilts by 15.8% to £3.87 trillion, in medium conventional gilts by 8.9% to £4.82 trillion, and in index-linked gilts by 6.9% to £1.55 trillion. There was a decrease in turnover of long conventional gilts by 7.9% to £1.82 trillion. Developments in gilt market turnover are shown in Table 1 and Chart 9 and the growth in the size of the gilt market (in market value terms) over this period is shown in Chart 10.

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

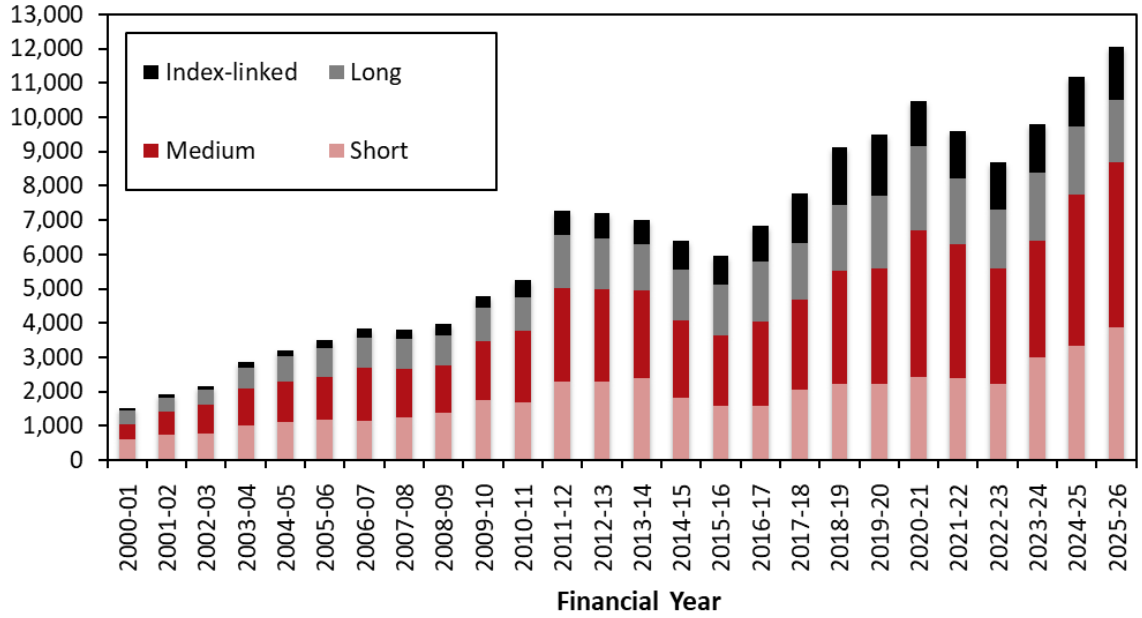
Table 1: Aggregate gilt market turnover (cash terms) by GEMMs 2000-01 to 2025-26 (£ billion)[7]

	Short	Medium	Long	Index-linked	Total
2000-01	608	446	412	65	**1,531**
2001-02	733	692	396	86	**1,907**
2002-03	784	822	460	103	**2,168**
2003-04	1,016	1,071	599	172	**2,858**
2004-05	1,120	1,161	738	176	**3,195**
2005-06	1,186	1,252	825	236	**3,500**
2006-07	1,139	1,548	893	276	**3,856**
2007-08	1,262	1,399	877	271	**3,808**
2008-09	1,389	1,358	894	346	**3,988**
2009-10	1,754	1,702	976	336	**4,769**
2010-11	1,691	2,073	991	485	**5,240**
2011-12	2,280	2,753	1,541	689	**7,263**
2012-13	2,308	2,659	1,488	757	**7,213**
2013-14	2,391	2,555	1,356	690	**6,992**
2014-15	1,828	2,256	1,485	818	**6,387**
2015-16	1,569	2,084	1,474	821	**5,949**
2016-17	1,571	2,485	1,745	1,025	**6,826**
2017-18	2,048	2,629	1,660	1,441	**7,777**
2018-19	2,232	3,295	1,923	1,685	**9,136**
2019-20	2,231	3,375	2,114	1,771	**9,491**
2020-21	2,417	4,275	2,476	1,290	**10,457**
2021-22	2,409	3,885	1,920	1,387	**9,600**
2022-23	2,223	3,365	1,715	1,381	**8,683**
2023-24	3,010	3,394	1,969	1,418	**9,791**
2024-25	3,338	4,422	1,979	1,448	**11,187**
2025-26	3,867	4,816	1,822	1,548	**12,052**

Source: GEMMs

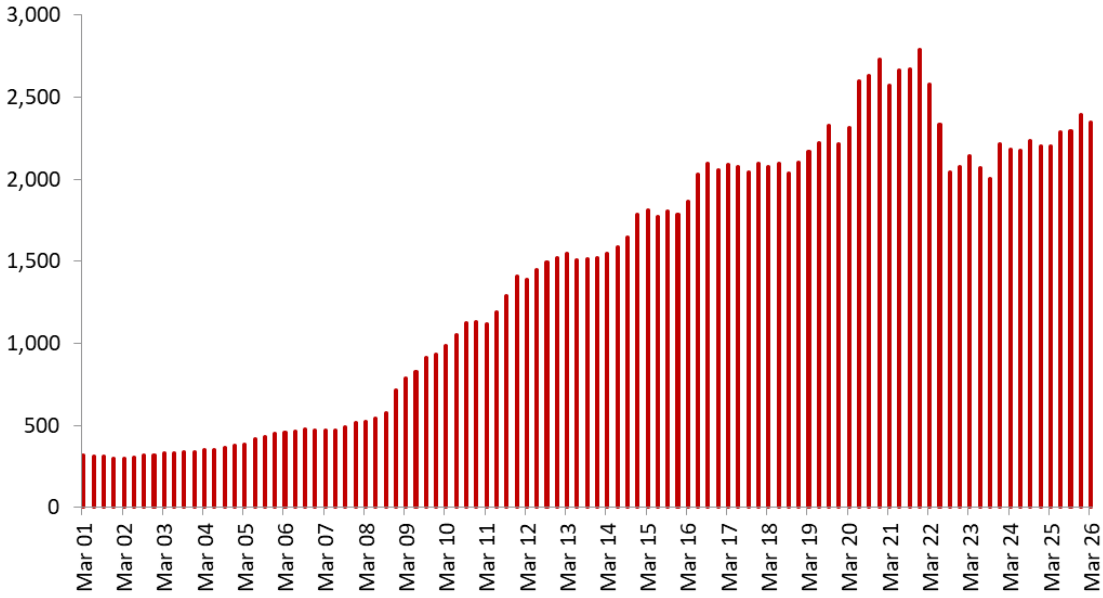
[7] These data cover only those transactions conducted by GEMMs and are, therefore, not wholly comprehensive in terms of turnover in the entire gilt market. Nevertheless, they should represent a significant proportion of total transaction volume.

Chart 9: GEMM gilt market turnover (cash terms) 2000-01 to 2025-26 (£ billion)



Source: GEMMs

Chart 10: Growth in the size of the gilt market (market prices) 2000-01 to 2025-26 (£ billion)



Source: DMO

Chapter 2
Government debt management

The government's approach to debt management is underpinned by the debt management framework, which is published by HM Treasury in the annual Debt Management Report[8].

DMO's financing remit for 2025-26

The DMO's initial gilt financing remit for 2025-26 was announced at Spring Statement on 26 March 2025[9], with a Net Financing Requirement of £304.2 billion to be met via planned gilt sales of £299.2 billion and a net contribution made by T-bills for debt financing of £5.0 billion. It was planned that gilt sales would be delivered via 72 auctions and eight syndications. It was announced that green gilt sales of £10.0 billion were planned for 2025-26, with an expectation that the focus of green gilt issuance in the first half of financial year 2025-26 would be on further re-openings of the two existing green gilts[10] and that further announcements about green gilt issuance may be made later in the financial year.

The structure of the original gilt financing remit for 2025-26 is summarised in Table 2.

[8] The debt management framework is contained within Chapter 2 of the Debt Management Report 2026-27, which can be accessed at: https://dmo.gov.uk/media/0uuiqi10/drmr2627.pdf.

[9] The initial 2025-26 financing remit as published on 26 March 2025 can be accessed at: https://dmo.gov.uk/media/vggggtwy/sa260325.pdf

[10] The two existing green gilts at that time were 0⅞% Green Gilt 2033 and 1½% Green Gilt 2053.

Table 2: Original planned remit for 2025-26 (Spring Statement 2025)

£ billion (proportions in brackets)	Auction	Syndication	Gilt tender	Unallocated	Total
Short	110.9	-	-	-	110.9 (37.1%)
Medium*	73.7	16.0	-	-	89.7 (30.0%)
Long*	26.7	13.5	-	-	40.2 (13.4%)
Index-linked	20.4	10.5	-	-	30.9 (10.3%)
Unallocated	-	-	-	27.5	27.5 (9.2%)
Total	**231.7 (77.4%)**	**40.0 (13.4%)**	**- -**	**27.5 (9.2%)**	**299.2**

Figures may not sum due to rounding.

Source: DMO

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

The DMO's 2025-26 remit was revised on 23 April 2025 alongside the publication of the outturn for the Central Government Net Cash Requirement (excluding NRAM ltd, Bradford & Bingley and Network Rail) (CGNCR ex NRAM, B&B and NR) in 2024-25. A £4.9 billion increase in the Net Financing Requirement was announced, which was absorbed by a £5.0 billion increase in the net contribution made by T-bills for debt financing, taking the total planned net contribution to £10.0 billion.

Planned gilt sales fell by £0.1 billion to £299.1 billion relative to Spring Statement 2025, achieved by:

- an increase of £5.6 billion in sales of short conventional gilts
- a decrease of £10.4 billion in sales of long conventional gilts
- an increase of £4.7 billion in the unallocated portion of gilt issuance

Further details of the remit as at the April 2025 remit revision – including a breakdown by maturity sector and distribution method – can be seen in Table 3.

One extra auction of a short conventional gilt was added to the planned auction schedule, and three planned auctions of long conventional gilts were cancelled.

The cash amount of planned green gilt issuance (£10.0 billion) was unchanged.

The structure of the gilt financing remit for 2025-26 published at the April 2025 remit revision is summarised in Table 3.

Table 3: Revised planned remit for 2025-26 (April 2025)

(£ billion proportions in brackets)	Auction	Syndication	Gilt tender	Unallocated	Total
Short	116.5	-	1.4	-	117.9 (39.4%)
Medium*	73.7	16.0	-	-	89.7 (30.0%)
Long*	17.8	12.0	-	-	29.8 (10.0%)
Index-linked	20.4	10.5	-	-	30.9 (10.3%)
Unallocated	-	-	-	30.8	30.8 (10.3%)
Total	**228.4 (76.4%)**	**38.5 (12.9%)**	**1.4 (0.5%)**	**30.8 (10.3%)**	**299.1**

Figures may not sum due to rounding.

**Source: DMO*

At Budget 2025 on 26 November 2025, the DMO's Net Financing Requirement (NFR) for 2025-26 was increased by £5.6 billion to £314.7 billion relative to the remit revision published in April 2025. This increase was absorbed by increased gilt sales of £4.6 billion and an increase in the net contribution of T-bills for debt management purposes of £1.0 billion, taking the total planned net contribution to £11.0 billion.

Planned gilt sales rose from £299.1 billion to £303.7 billion relative to the April 2025 remit revision, achieved by[11]:

- an increase of £15.6 billion in sales of short conventional gilts
- an increase of £12.4 billion in sales of medium conventional gilts
- a decrease of £1.1 billion in sales of long conventional gilts
- a decrease of £3.7 billion in sales of index-linked gilts
- a decrease of £22.5 billion in the unallocated portion of gilt issuance[12]

[11] Changes in gilt sales via tender reflect proceeds that have already been realised via p-tenders, rather than plans for issuance across the financial year.

[12] At the April 2025 remit revision, the unallocated portion of gilt issuance was £30.8 billion. Prior to Budget 2025, a total of £24.1 billion had been drawn down, leaving a remaining size of £6.7 billion. The size of the unallocated portion of gilt issuance was increased by £1.6 billion at Budget 2025 relative to its position prior to the remit revision. However, this represented a decrease of £22.5 billion compared to the size of the unallocated portion at the April 2025 remit revision.

Further details of the remit as at Budget 2025 – including a breakdown by maturity sector and distribution method – can be seen in Table 4.

A total of £3.5 billion was added to the gilt auction programme. Six auctions were cancelled: these comprised one auction of a short conventional gilt, three auctions of long conventional gilts, and two auctions of index-linked gilts[13].

£8.5 billion[14] was added to the syndication programme relative to the April 2025 remit revision and one planned index-linked gilt syndication was cancelled.

There was no change to the planned cash amount to be raised via green gilt issuance, which remained at £10.0 billion.

Table 4: Revised planned remit for 2025-26 (Budget 2025)

(£ billion proportions in brackets)	Auction	Syndication	Gilt tender	Unallocated	Total
Short	123.5	-	10.0	-	133.5 (44.0%)
Medium*	78.5	20.1	3.5	-	102.1 (33.6%)
Long*	10.5	17.1	1.1	-	28.7 (9.5%)
Index-linked	19.4	9.8	1.9	-	31.1 (10.2%)
Unallocated	-	-	-	8.3	8.3 (2.7%)
Total	**231.9 (76.4%)**	**47.0 (15.5%)**	**16.5 (5.4%)**	**8.3 (2.7%)**	**303.7**

Figures may not sum due to rounding.

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

Source: DMO

The outturn for gilt sales in 2025-26 was £303.9 billion (£0.2 billion above the remit plan). Green gilt issuance raised a total of £9.9 billion (cash).

Table 5: Gilt sales outturn 2025-26

[13] The reduction in the number of auctions despite an increase to the target is due to: (i) Post Auction Option Facility (PAOF) proceeds which were higher than projected and (ii) larger average auction sizes in the financial year.

[14] Part of this increase had already been realised due to a transfer of £2.0 billion from the unallocated portion of gilt issuance to the index-linked syndication programme in August 2025.

(£ million)	Conventional gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction proceeds	109,392	69,806	9,293	17,362	205,853
PAOF proceeds	14,187	9,144	1,190	2,013	26,535
Auction and PAOF proceeds	**123,579**	**78,950**	**10,483**	**19,376**	**232,388**
Syndication sales	-	20,027	20,567	9,798	50,392
Gilt tender sales	13,178	4,414	1,666	1,907	21,165
Total gilt sales	**136,757**	**103,390**	**32,716**	**31,080**	**303,945**
Number of auctions held	24	19	7	14	64
Syndications held	-	2	3	2	7
Gilt tenders held	12	4	4	2	22
Total planned gilt sales	**-**	**-**	**-**	**-**	**303,700**

Figures may not sum due to rounding.

Source: DMO

Table 6 compares the outturn for the 2025-26 financing remit by distribution method with outturn financing remits since 2007-08.

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

	Cash raised (£billion) via			Total gilt sales (£billion)	Cash raised (%) via		
	Auctions*	Syndications	Tenders		Auctions*	Syndications	Tenders**
2007-08	58.5	0.0	0.0	58.5	100.0%	0.0	0.0
2008-09	138.3	0.0	8.1	146.5	94.4%	0.0	5.6%
2009-10	187.0	30.5	10.1	227.6	82.2%	13.4%	4.4%
2010-11	133.1	26.9	6.3	166.4	80.0%	16.2%	3.8%
2011-12	142.5	34.5	2.6	179.4	79.4%	19.2%	1.4%
2012-13	126.0	32.8	6.3	165.1	76.3%	19.9%	3.8%
2013-14	124.5	23.3	5.6	153.4	81.2%	15.2%	3.7%
2014-15	105.6	19.6	1.2	126.4	83.5%	15.5%	0.9%
2015-16	99.5	26.6	1.7	127.7	77.9%	20.8%	1.3%
2016-17	112.0	33.0	2.6	147.6	75.9%	22.4%	1.8%
2018-19	79.4	19.2	0.0	98.6	80.5%	19.5%	0.0%
2019-20	115.1	20.4	2.4	137.9	83.5%	14.8%	1.7%
2020-21	429.5	52.3	3.9	485.8	88.4%	10.8%	0.8%

2021-22	151.6	43.0	0.0	194.7	77.9%	22.1%	0.0%
2022-23	144.1	24.0	1.4	169.5	85.0%	14.1%	0.8%
2023-24	204.5	34.3	0.3	239.1	85.6%	14.3%	0.1%
2024-25	232.8	59.3	5.5	297.7	78.2%	19.9%	1.9%
2025-26	**232.4**	**50.4**	**21.2**	**303.9**	**76.5%**	**16.6%**	**7.0%**

** Includes Post Auction Option Facility (PAOF) proceeds.*

*** Includes programmatic gilt tenders from 2025-26.*

Figures may not sum due to rounding.

Source: DMO

Pace of financing in 2025-26

Gilt sales in April, May and June 2025 averaged around £26.9 billion per month. Sales were lower in August 2025, owing to seasonal liquidity factors. Syndications in September and October 2025 contributed towards larger-than-average proceeds in these months. Proceeds were lower-than-average in November and December 2025 which was driven by fewer operations in these months. The scheduling of a syndication in January 2026 led to higher proceeds in this month. The DMO held three p-tenders in February 2026 – which typically raise lower proceeds than other operations of equivalent gilt type/maturity – and had smaller-than-average transaction sizes in March 2026[15], resulting in lower proceeds in these months.

Table 7: Monthly gilt sales in 2025-26 (cash proceeds)

Month	Gilt sales (£billion)	% of total	Cumulative (£billion)
Apr 25	26.8	8.8%	26.8
May 25	25.7	8.5%	52.5
Jun 25	28.2	9.3%	80.7
Jul 25	32.1	10.6%	112.7
Aug 25	17.5	5.8%	130.3
Sep 25	33.5	11.0%	163.8
Oct 25	37.8	12.4%	201.6
Nov 25	21.2	7.0%	222.8
Dec 25	19.5	6.4%	242.2
Jan 26	30.5	10.0%	272.7
Feb 26	14.3	4.7%	287.0
Mar 26	17.0	5.6%	303.9

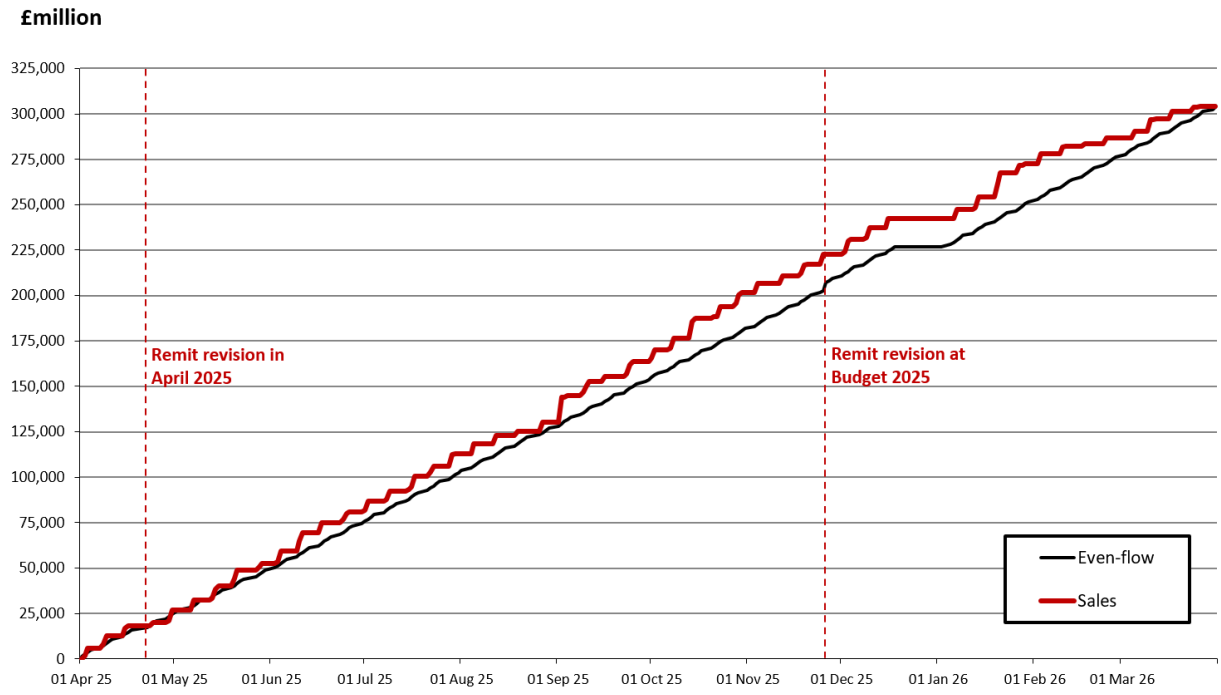
Figures may not sum due to rounding.

Source: DMO

[15] Transactions were smaller in March 2026 to ensure that proceeds raised in the 2025-26 financial year were as close to the remit target as possible.

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

Chart 11: Cumulative gilt financing over 2025-26[16]

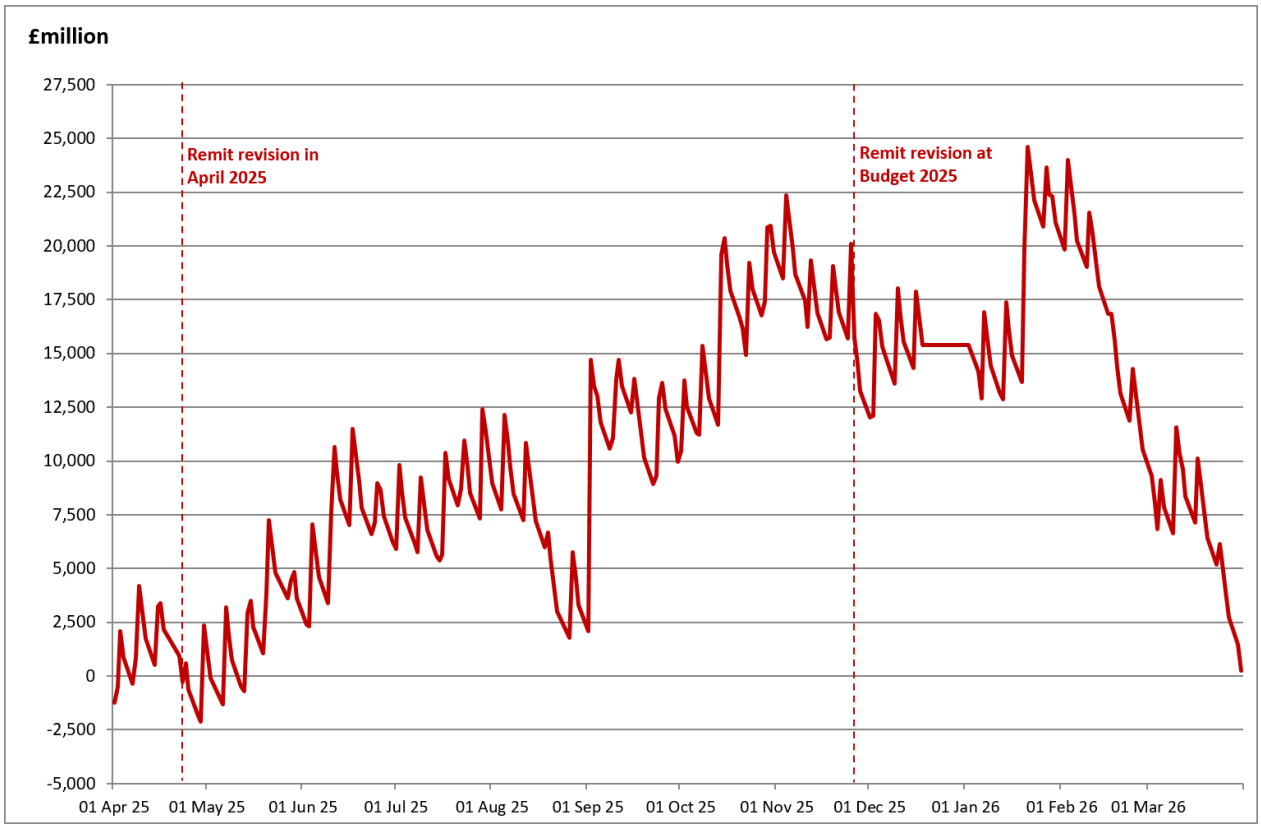


Source: DMO

Chart 12 shows in more detail the cumulative proceeds from all gilt sales operations compared with a counterfactual even-flow pace of financing required to deliver the final gilt sales total in 2025-26. From mid-May 2026, cumulative financing was almost always above the even-flow position. Notable increases included proceeds from the syndication of 4¾% Treasury Gilt 2035 in September 2025 (for a nominal size of £14.0 billion), the launch by syndication of 5¼% Treasury Gilt 2041 in October 2025 (for a nominal size of £9 billion) and the subsequent re-opening of this gilt via syndication in January 2026 (for a nominal size of £7.25 billion).

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

Chart 12: Cumulative gilt financing relative to the even-flow position[17] over 2025-26



Source: DMO

The 2025-26 financing arithmetic

The initial financing arithmetic for 2025-26, as published at Spring Statement 2025, was restated as usual in the remit revision announcement published in April 2025 reflecting CGNCR ex NRAM, B&B and NR[18] outturn for 2024-25, and again at Budget in November 2025. Developments in the 2025-26 financing arithmetic are shown in Table 8.

[17] The even-flow counterfactual assumes that the same amount of cash is raised on every business day sufficient to meet the final total annual gilt sales requirement. The flatness in the even-flow position in late December 2025 and early January 2026 in Chart 12 is due to an assumption that gilt sales will not take place over the Christmas and New Year period.

[18] Central Government Net Cash Requirement (excluding NRAM ltd, Bradford and Bingley, and Network Rail).

Table 8: The 2025-26 financing arithmetic[19]

(£ billion)	Spring Budget 2025	April 2025 revision	Budget 2025	Spring Forecast 2026	April 2026 outturn
CGNCR (ex NRAM, B&B and NR)	142.7	142.7	149.2	144.7	135.9
Gilt redemptions	168.2	168.2	168.2	168.2	168.2
Financing adjustment carried forward from previous financial years	6.7	11.6	11.6	11.6	11.6
Gross financing requirement	**317.7**	**322.5**	**329.0**	**324.6**	**315.7**
less:					
NS&I net financing	12.0	12.0	13.0	13.6	12.1
NS&I Green Savings Bonds	-0.3	-0.3	-0.4	-0.3	-0.4
Other financing[20]	1.8	1.8	1.7	1.7	-0.7
Net financing requirement (NFR) for the DMO	**304.2**	**309.1**	**314.7**	**309.7**	**304.6**
DMO's NFR will be financed through:					
a) Gilt sales of which:	**299.2**	**299.1**	**303.7**	**303.7**	**303.9**
Short conventional gilts	110.9	117.9	133.5	136.7	136.8
Medium conventional gilts	89.7	89.7	102.1	103.0	103.4
Long conventional gilts	40.2	29.8	28.7	32.5	32.7
Index-linked gilts	30.9	30.9	31.1	31.1	32.7
Unallocated portion of issuance	27.5	30.8	8.3	0.4	0.0
b) Total net contribution of T-bills for debt financing	**5.0**	**10.0**	**11.0**	**11.0**	**11.3**
Total financing	**304.2**	**309.1**	**314.7**	**314.7**	**315.2**
DMO net cash position	2.3	2.3	2.3	7.3	12.9

Source: DMO

[19] Figures may not sum due to rounding.

[20] Prior to publication of the end-year outturn in April each year, this financing item will mainly comprise estimated revenue from coinage. At outturn it will include outturn revenue from coinage and additional financing through non-governmental deposits, certificates of tax deposit and foreign exchange transactions relating to the Exchange Equalisation Account.

Gilt financing operations

The DMO held a total of 93 gilt financing operations in 2025-26, four more than in the previous financial year. In addition, the Post Auction Option Facility (PAOF) was activated, in whole or in part, at 44 of the 61 non-green gilt auctions[21]. Including the PAOF transactions, there was a total of 140 gilt sales operations in 2025-26.

Table 9: DMO outright gilt sales operations from 1998-99 to 2025-26

	Auctions	PAOF take-up*	Syndications	Tenders**	Taps***	Residual tenders****	Total (excl. PAOF)	Gilt sales (£ billion)
1998-99	4				4		8	8.2
1999-00	8				1	1	10	14.4
2000-01	7						7	10.0
2001-02	8						8	13.7
2002-03	13					1	14	26.3
2003-04	24						24	49.9
2004-05	26						26	50.1
2005-06	25		1				26	52.3
2006-07	36						36	62.5
2007-08	34						34	58.5
2008-09	58			8			66	146.5
2009-10	58		6	12		1	77	227.6
2010-11	49		5	7			61	166.4
2011-12	49	46	8	3			60	179.4
2012-13	44	44	8	4			56	165.1
2013-14	43	43	5	4			52	153.4
2014-15	41	41	4	1			46	126.4
2015-16	39	39	6	2			47	127.7
2016-17	48	36	7	3			58	147.6
2017-18	40	21	5	1			46	115.5
2018-19	36	20	4				40	98.5
2019-20	43	26	5	4			52	137.9
2020-21	150	106	7	2			159	485.8
2021-22	64	40	7				71	194.7
2022-23	59	39	6	1			66	169.5
2023-24	69	40	7	1			77	239.1
2024-25	77	44	8	4			89	297.7
2025-26	64	44	7	22			93	303.9

**Number of times PAOF was taken up, in whole or in part, following an auction.*

***Mini-tenders from 2008-09 to 2015-16. Gilt tenders thereafter. Includes programmatic gilt tenders from 2025-26.*

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

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

Source: DMO

[21] 64 gilt auctions took place in 2025-26. Three of these were for green gilts at which PAOF was not available.

Gilt auctions

Auctions (including associated PAOF proceeds) accounted for £232.4 billion or 76.5% of gross gilt sales in 2025-26. Of the 64 auctions held, 24 were for short, 19 for medium (including one medium green gilt auction), and 7 for long conventional gilts (including two long green gilt auctions), and 14 were for index-linked gilts[22].

The average cover ratio at gilt auctions in 2025-26 was 3.26x, an increase on the average of 3.18x in 2024-25. The tail – a measure of the concentration of bidding at conventional gilt auctions[23] – averaged 0.4bp, a slight decrease from an average tail of 0.6bp in the previous financial year. Details are shown in Table 10.

Table 10: Gilt auction cover and tail in 2024-25 and 2025-26

	Average cover ratio (x)		Average yield tail (bp)	
	2025-26	**2024-25**	**2025-26**	**2024-25**
Short conventional	3.23	3.18	0.4	0.6
Medium conventional	3.16	3.10	0.4	0.8
Long conventional	3.27	3.16	0.6	0.4
Index-linked	3.46	3.28	N/A	N/A
All	**3.26**	**3.18**	**0.4**	**0.6**

Source: DMO

Programmatic gilt tenders

It was announced in the 2025-26 financing remit in March 2025 that the DMO would introduce programmatic gilt tenders ("p-tenders") to assist with the delivery of the financing remit, and it was envisaged that these operations would typically involve the sale of "off-the-run"[24] gilts[25]. Gilt tenders may also be scheduled on an ad hoc basis, and outside the programmatic use of gilt tenders, to issue any type and maturity of gilt, including for market management reasons.

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

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

[24] In this context an 'off-the-run' gilt is any gilt that is not currently being built up to benchmark size as part of the current regular issuance programme.

[25] The DMO further clarified during the financial year that other gilts are not precluded from issuance and that the approach is designed to be adaptable to take account of the overall programme and operations calendar composition, as well as market conditions, and will be informed by relevant feedback received during consultation processes.

Tender dates, the choice of maturity sector(s) and/or the type(s) of gilt(s) for all p-tenders remain subject to demand and market conditions prevailing at or around a tender date.

The DMO will consider a range of factors in deciding the gilt(s) to be offered at each individual tender, including feedback about demand and market conditions, as well as broader debt management considerations (including the cash amount raised, value for money and the impact of issuance on the gilt redemption profile).

Market participants will be consulted on the identity of the gilt(s) and the maximum size to be offered at each individual gilt tender ahead of the planned gilt tender date. These will typically be confirmed at least two business days prior to the planned tender date. Proceeds from the p-tenders are drawn down from the unallocated portion of issuance.

There were 22 p-tenders in 2025-26, which raised £21.2 billion: this represented 7.0% of total gilt issuance over the course of the financial year.

The average cover ratio at p-tenders – which in 2025-26 comprised all gilt tenders, with no ad hoc gilt tenders taking place – was 3.67x. The average tail at conventional p-tenders was 0.4bp. Details are shown in Table 11.

Table 11: P-tender cover and tail in 2025-26

	Average cover ratio (x)	Average yield tail (bp)
Short conventional	3.86	0.4
Medium conventional	3.35	0.5
Long conventional	3.69	0.6
Index-linked	3.11	N/A
All	**3.67**	**0.4**

Source: DMO

Post Auction Option Facility

PAOF was taken up in whole or in part at 44 of the 61 non-green auctions held in 2025-26, raising £26.5 billion. The rate of take-up and total proceeds raised in cash terms increased compared with 2024-25.

Table 11: PAOF performance from 2020-21 to 2025-26

	Rate (%)	Take-up (%)	Take-up rate* (%)	Proceeds (£ billion)
2020-21	25.0	13.1	52.4	49.6
2021-22	25.0	12.1	48.4	16.4
2022-23	25.0	11.9	47.5	15.3
2023-24	25.0	11.2	44.9	20.7
2024-25	25.0	9.1	36.3	19.4
2025-26	25.0	12.9	51.6	26.5

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

Source: DMO

Syndicated offerings

Seven syndicated offerings were held in 2025-26, raising £50.4 billion or 16.6% of gross gilt sales.

Table 12: Syndications in 2025-26

Date	Gilt	Size (£ million nominal)	Issue Price (£)	Issue Yield (%)	Proceeds (£ million cash)
20 May 2025	5⅜% Treasury Gilt 2056	4,000	99.566	5.405	3,975
10 Jun 2025	1¾% Index-linked Treasury Gilt 2038	5,500	100.061	1.745	5,494
02 Sep 2025	4¾% Treasury Gilt 2035	14,000	98.972	4.879	13,835
14 Oct 2025	5¼% Treasury Gilt 2041	9,000	101.621	5.097	9,130
12 Nov 2025	1¾% Index-linked Treasury Gilt 2038	4,250	99.065	1.832	4,304
20 Jan 2026	5¼% Treasury Gilt 2041	7,250	103.079	4.957	7,462
10 Mar 2026	4⅝% Green Gilt 2037	6,250	99.221	4.717	6,192
Total					**59,392**

Source: DMO

Green gilt issuance

Green gilt issuance in 2025-26 raised a total of £9.9 billion (cash) across three auctions and one syndication (Table 13). This was the fifth year of the government's Green Financing Programme (the Programme). 0⅞% Green Gilt 2033 and 1½% Green Gilt 2053, both first issued in 2021, continued to be built up over the course of the first three quarters of the financial year. The focus in the final quarter of 2025-26 turned to the launch via syndicated offering of a new green gilt, 4⅝% Green Gilt 2037, via syndicated offering. This was the third green gilt to be issued since the start of the Programme and underscored the Government's long-standing ambition to build out a green yield curve. The proceeds of the new green gilt will be allocated in accordance with the updated *UK Government Green Financing Framework*. At the end of 2025-26, these gilts had a combined nominal outstanding amount of £74.3 billion in issue

(£38.5 billion for 0⅞% Green Gilt 2033, £6.25 billion for 4⅝% Green Gilt 2037 and £29.5 billion for 1½% Green Gilt 2053).

Table 13: Green gilt issuance in 2025-26

Date	Gilt Name	Operation	Cash Proceeds (£ million)	Cover ratio (x)
28 May 25	0⅞% Green Gilt 2033	Auction	2,073	3.56
01 Jul 25	1½% Green Gilt 2053	Auction	919	3.20
21 Oct 25	1½% Green Gilt 2053	Auction	677	3.17
10 Mar 25	4⅝% Green Gilt 2037	Syndication	6,192	

Source: DMO

Update to the *UK Government Green Financing Framework*

The launch of a third green gilt followed HM Treasury's update of the 'UK Government Green Financing Framework' to include nuclear energy for power generation (subject to specific eligibility criteria), with the updated Framework published on 26 November 2025. HM Treasury also committed to move from biennial to annual impact reporting. S&P Global Ratings assessed the updated Framework to be 'dark green' (their highest shading) in their Second Party Opinion (SPO). The Framework continues to align with ICMA Green Bond Principles (2025).

Proceeds from sales of green gilts and those retail Green Savings Bonds issued by National Savings and Investments (NS&I) prior to 27 November 2025 will not be allocated to nuclear energy related expenditures.

Spring Forecast 2026

As announced alongside Spring Forecast 2026, green gilt issuance of £12.0 billion (cash) is planned in 2026-27. This will be the sixth year of the Programme. The DMO expects that the focus of green gilt issuance in 2026-27 will be on re-opening 4⅝% Green Gilt 2037 and building it up towards benchmark size, subject to demand and market conditions. This approach will be kept under review.

All reports and documents relating to green gilts are available in the 'Green Gilts' section of the DMO website[26].

The DMO's financing remit in 2026-27

The DMO's financing remit for 2026-27 was published alongside Spring Forecast 2026 on 3 March 2026[27]. The NFR was forecast to be £257.1 billion. Planned gilt sales of £252.1 billion were announced, including £12.0 billion of green gilt sales, and an

[26] This can be accessed at: https://www.dmo.gov.uk/responsibilities/green-gilts/.
[27] This can be accessed at: https://dmo.gov.uk/media/gnffn5rz/sa030326.pdf.

unallocated portion of £30.5 billion for issuance of any type or maturity of gilt via any issuance method. In addition, it was announced that planned T-bill sales for debt management purposes would make a net contribution of £5.0 billion towards meeting the NFR in 2026-27.

It was announced that the DMO would continue to use p-tenders in 2026-27 to assist with the delivery of the financing remit. The DMO also announced that it may use switch auctions from 2026-27. Any such operations will be used to promote liquidity in certain gilts, including at benchmark maturities. The DMO announced that it did not envisage holding any such operations in Q1 2026-27.

The 2026-27 financing remit was revised on 23 April 2026[28], alongside the publication of the 2025-26 outturn CGNCR ex NRAM, B&B and NR. The forecast NFR fell by £5.9 billion to £251.2 billion, which was managed by an offsetting reduction to planned sales via auction across gilt types and maturity sectors.

[28] This can be accessed at: https://dmo.gov.uk/media/ajmifgdv/pr230426_2.pdf.

Chapter 3
Debt management performance analysis

The information presented in this chapter aims to provide a summary of debt management performance during 2025-26., This analysis is designed to enhance performance measurement and monitoring practices, by explicitly reporting on indicators of performance and by consolidating key metrics in this chapter. This section ensures that the evaluation of the UK's debt management performance remains transparent, aligned with the evolving landscape of global best practices and capable of adapting to relevant developments.

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

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

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

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

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

The government defines value for money (VfM) for the taxpayer as reaching a balanced judgement about the best way to use public resources to deliver policy objectives[29]. In the context of the delivery of the DMO's financing remit, VfM is interpreted in the context of the government's debt management objective, which is: *"to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy"*. The debt management objective determines the overall approach to designing and implementing the annual financing

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

remit. This means that VfM, from the perspective of delivering the financing remit, is pursued with the intention to minimise cost over the long term, while appropriately taking into account risks associated with debt issuance. This involves:

1. Making decisions with a long-term focus

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

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

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

The government also considers a range of risks in reaching decisions on the preferred structure of issuance in the annual financing remit and assesses the relative importance of each risk in accordance with its risk appetite, which may change over time. These risks are explained in further detail in the Debt Management Report[30]. The government has typically followed a well-diversified issuance strategy across conventional and index-linked gilts, which helps to mitigate a number of risks, including refinancing risk.

Once the DMO's financing remit has been set by HM Treasury, the DMO implements the remit through the financial year, within the parameters that have been set out in the remit. When making in-year decisions at a more granular level – for example,

[30] The Debt Management Report 2026-27 can be accessed at: https://www.dmo.gov.uk/media/0uuiqi10/drmr2627.pdf.

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

Pillar 1: Performance in delivery of the annual financing remit

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

The DMO is committed to adherence to the key principles of openness, predictability and transparency in delivering the annual financing remit on behalf of HM Treasury. The intent behind these principles is to minimise, to the extent possible, the premium[31] which might otherwise be demanded by market participants. In turn, this should achieve greater cost minimisation over the long-term for the Exchequer.

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

1. **Achievement of the gilt financing remit -** An overarching requirement of debt management policy is that the government fully finances its projected financing requirement each year through the sale of debt[32].

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

[32] Paragraph 2.15 of the Debt Management Report 2026-27 sets out factors which might lead to the amount of financing raised in a financial year differing from the projected financing requirement.

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

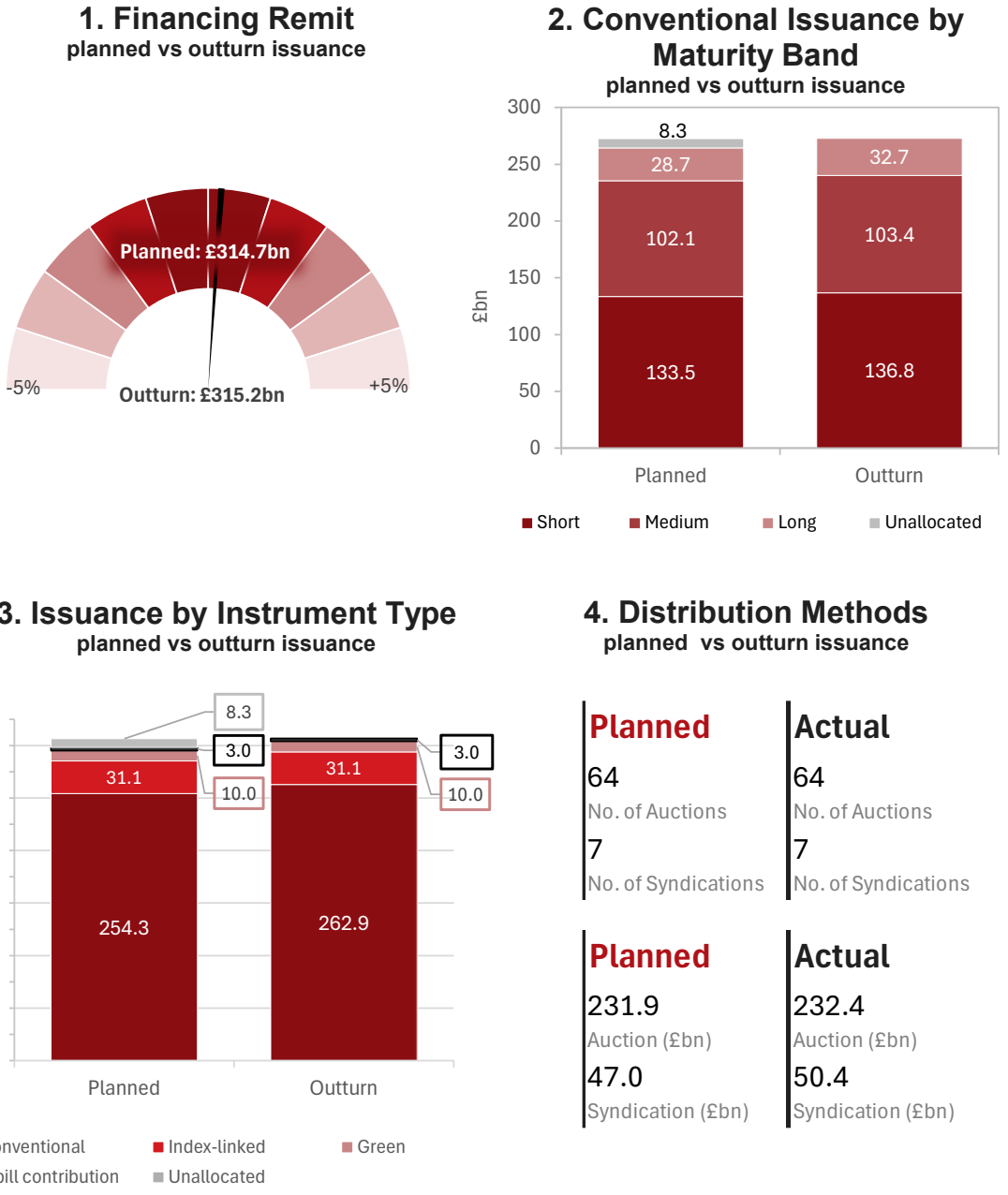
3. **Achievement of issuance in accordance with the planned split between different instruments -** In order to minimise the long-term cost of financing, taking account of risk, the DMO aims to issue across a range of instruments as specified in the financing remit from HM Treasury.

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

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

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

Figure 1: DMO key remit performance indicators[33] - planned as at Autumn Budget 2025 versus outturn as at end-March 2026

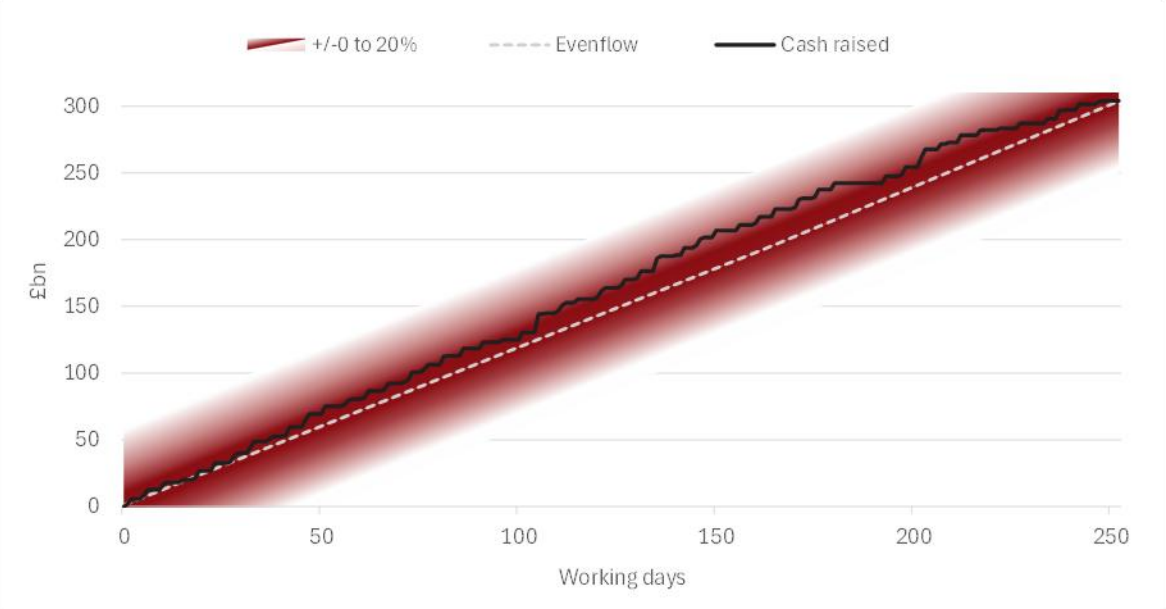


Source: DMO

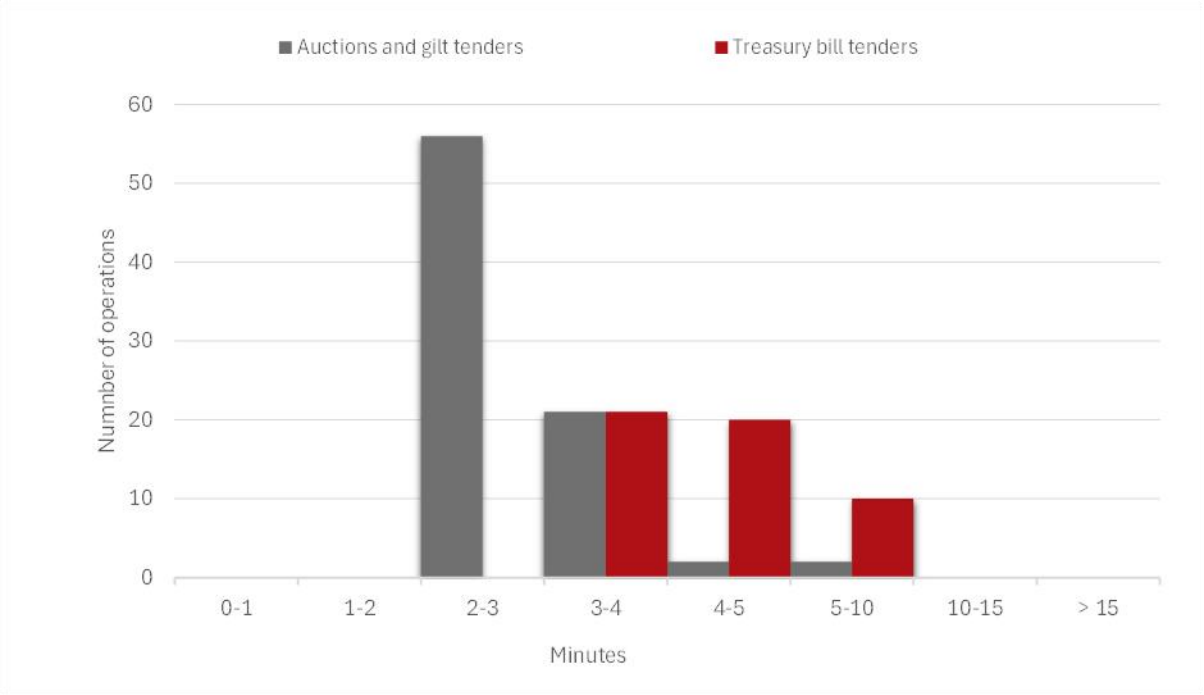
[33] All indicators are based on the final financing remit revision within the financial year, which in 2025-26 was published on 26 November 2025, coinciding with Autumn Budget 2025. The indicator for conventional issuance by maturity band includes the entire £8.3 billion remaining unallocated portion of issuance in the planned issuance column.

Figure 1 (continued): DMO key remit performance indicators[34]

5. Cumulative gilt sales



6. Publication of Auction and Tender Results



Source: DMO

[34] The cumulative gilt sales assumption in Figure 1 is linear: it assumes a single remit target throughout the entire financial year and does not account for the Christmas and new Year period. In this respect, it is not comparable to Charts 11 and 12.

Financing Remit - Results

The DMO ended the financial year on 31 March 2026 having raised via gilt issuance an amount that was within 0.08% of the final gilt sales requirement. Financing was raised smoothly across the year.

1. **Achievement of the gilt financing remit:**
   The gilt sales requirement for 2025-26, published alongside Autumn Budget 2025 on 26 November 2025, was £303.7 billion. By the end of the financial year, the DMO had raised £303.9 billion, which was within 0.1% of the final gilt sales requirement.

2. **Achievement of gilt financing in accordance with planned issuance splits:**
   The DMO's remit set by HM Treasury Ministers at Budget 2025 set out planned gilt issuance across maturities (for conventional gilts) of £133.5 billion, £102.1 billion and £28.7 billion for short, medium and long conventional gilts respectively, with the unallocated portion of issuance amounting to £8.3 billion. By the end of the financial year, the DMO had raised £136.8 billion, £103.4 billion and £32.7 billion in short, medium and long conventional gilts respectively.

3. **Achievement of issuance in accordance with the planned split between different instruments:**
   Planned gilt sales via conventional gilts (excluding green gilts) were £254.3 billion, and by the end of the financial year the DMO had raised £262.9 billion in these instruments. Planned gilt sales via index-linked gilts were £31.1 billion, and by the end of the year the DMO had raised £31.1 billion in these instruments. The planned increase in the T-bill stock for debt financing purposes was £10 billion, and, by the end of the financial year, the DMO had increased the T-bill stock by £11.3 billion. Finally, planned green gilt sales were £10.0 billion, and by the end of the year the DMO had raised £9.9bn in these instruments. At the remit revision at Autumn Budget 2025, the unallocated portion of gilt issuance was £8.3 billion.

4. **Achievement of issuance via planned distribution methods:**
   Planned gilt issuance via auctions was £231.9 billion, and the final amount raised via this method was £232.4 billion. Planned gilt issuance via syndications was £47.0 billion, and the final amount raised via this method was £50.4 billion; this increase was driven primarily by transfers from the unallocated portion of issuance.

5. **Smooth distribution of issuance across the financial year:**
   Issuance was raised smoothly across the financial year, with the amount of cash raised never deviating more than 9.3% from the assumed even-flow amount across the financial year.

6. **Timeliness in the publication of results from sales operations:**
   The results of auctions, gilt tenders and T-bill tenders were published on a timely basis throughout 2025-26, with each publication taking place less than 10 minutes after the relevant operation.

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

Various cost indicators are monitored over time. In 2025-26, the average issuance yield on gilts increased slightly to 4.37% from 4.31% the previous financial year.

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

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

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

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

Cost indicators

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

In order to calculate the average issuance yield, it is necessary to convert the real yield achieved at issue on an index-linked bond to a nominal equivalent yield. To do this, a Consumer Prices Inflation (CPI) inflation rate of 2% plus a Retail Prices Index (RPI)-CPI wedge of 0.9 percentage points (pp)[35] is used up until RPI reform is due to take place in February 2030, and a wedge of 0.4pp[36] is used thereafter.

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

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

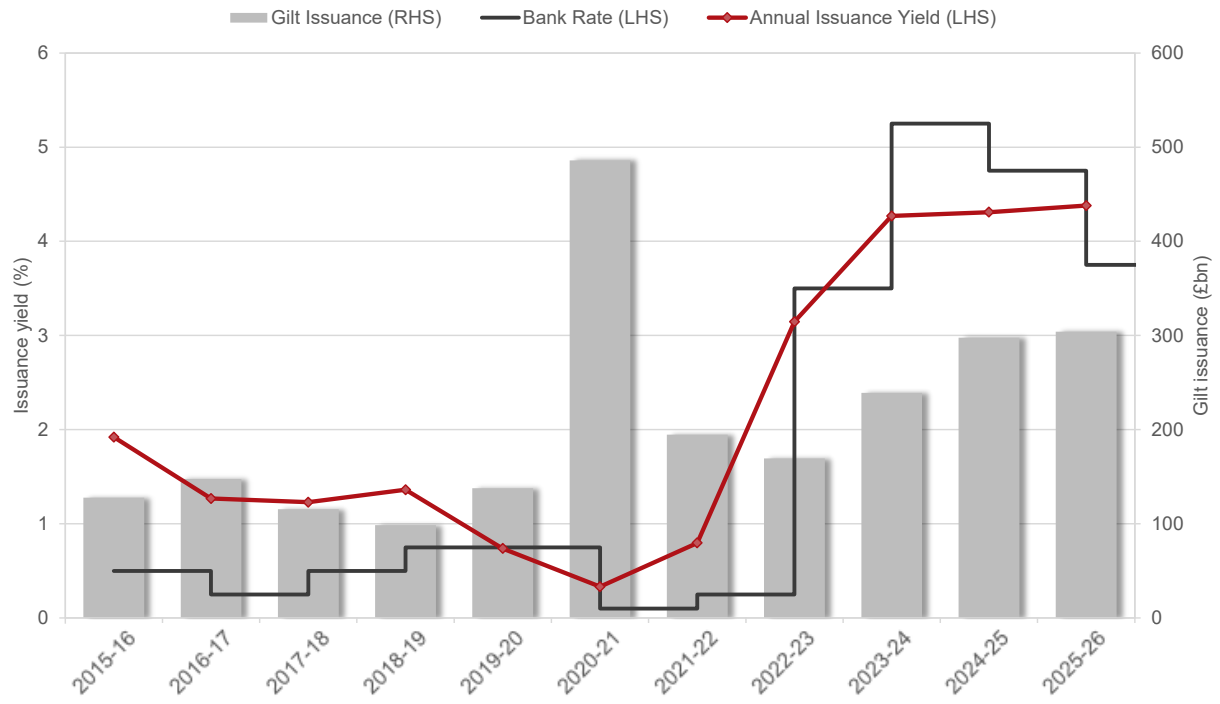
  In order to calculate the effective interest of an index-linked bond it is necessary to convert the real yield achieved at issue into a nominal equivalent yield. As the true nominal yield cannot be known with certainty until maturity, an assumption must be made for future inflation. For simplicity, it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

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

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

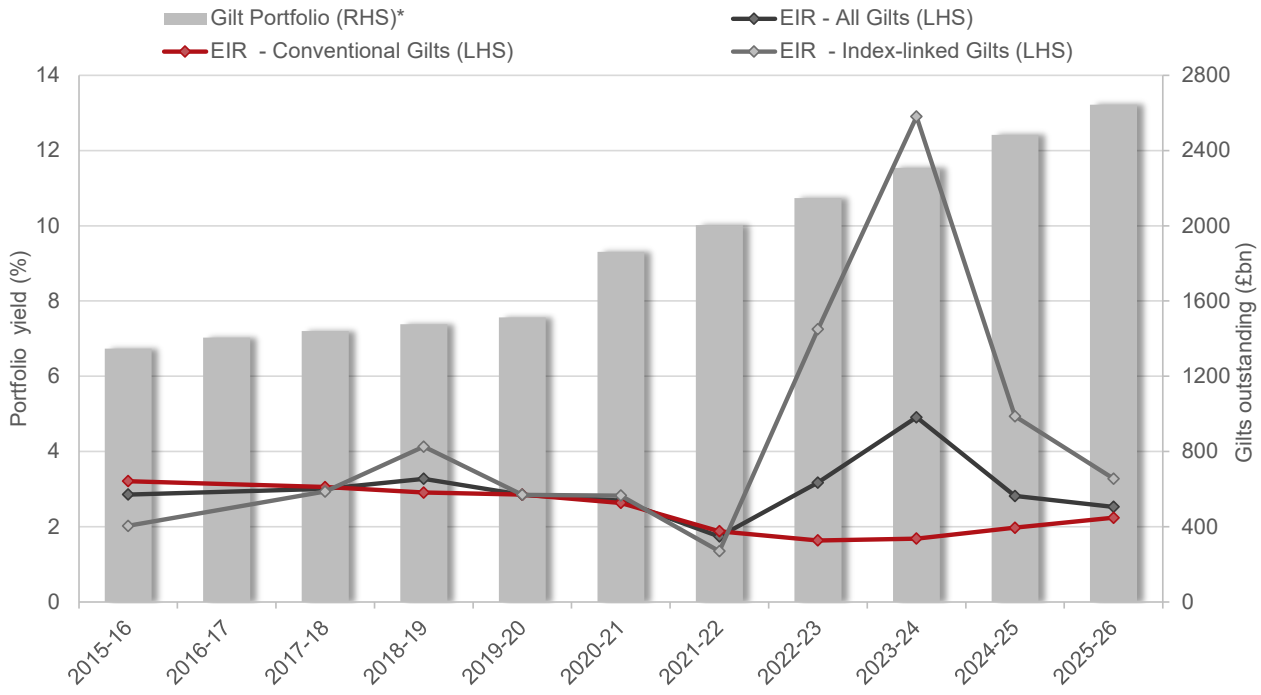
[36] This is in line with the latest OBR assumption for the RPI-CPI inflation wedge after the implementation of RPI reform. More information can be found in Box 2.35 of the '*Economic and fiscal outlook*' report published alongside Autumn Budget 2025 on 26 November 2025, which can be accessed at: https://obr.uk/efo/economic-and-fiscal-outlook-november-2025/#2-6.

Chart 13: Average Gilt Issuance Yield (%) from 2015-16 to 2025-26



Source: DMO

Chart 14: Gilt Portfolio Effective Interest Rate (%) from 2015-16 to 2025-26



**Based on uplifted nominal value*

Source: DMO

Cost indicators – results

As shown in Chart 13, the average issuance yield decreased from 2.0% to 0.4% from 2015-16 to 2020-21, narrowing the spread to Bank Rate throughout the period. Between 2021-22 and 2023-24, the average issuance yield increased sharply, largely in line with both Bank Rate and global interest rates. Since 2023-24 the average issuance yield has been more stable.

In 2025-26, the average issuance yield increased slightly to 4.37%, marginally higher than the rate realised in 2024-25 (4.31%), which reflects general moves in global interest rates.

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

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

Auction concession/premium analysis

The DMO was able to achieve a premium of £76 million over 86 operations in 2025-26, indicating it secured a more favourable price at auction than the prevailing secondary market price.

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

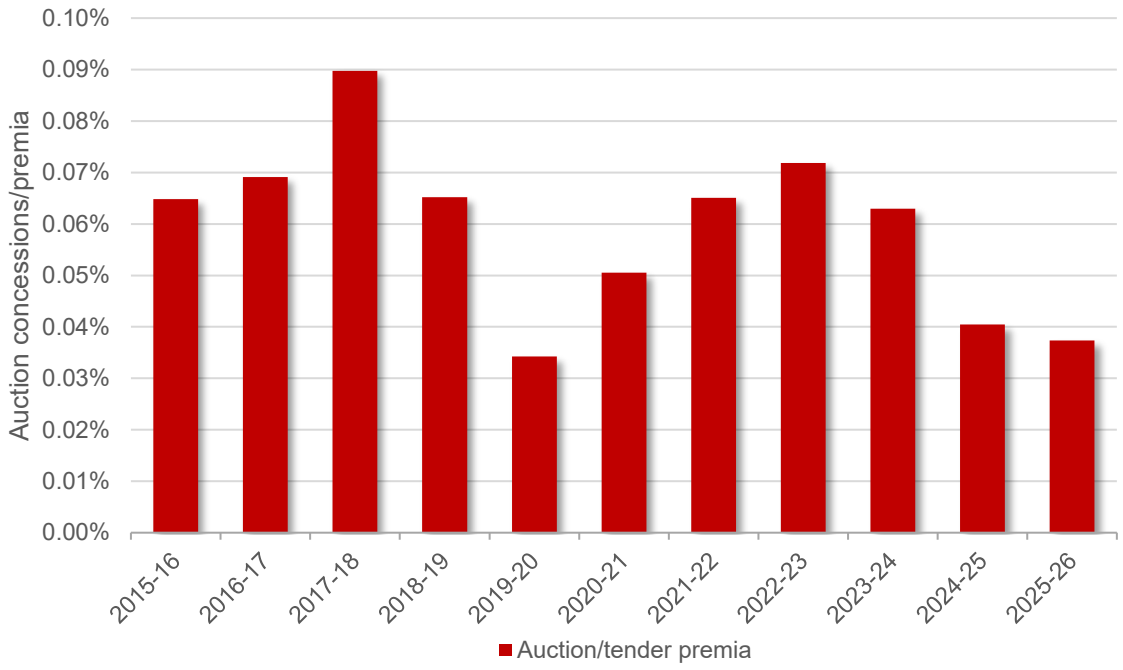
There are a number of ways to measure auction performance and, in particular, to assess whether the prices achieved via the auction process are fair and effective. The method presented below shows the value of any price concession/premium at gilt auctions by measuring the difference between the actual proceeds received and those that would have been generated had each gilt at auction been sold at the secondary market price of the gilt prevailing at the close of bidding on the day of the auction. A

premium (concession) is realised when an auction clears at a level above (below) the prevailing price in the secondary market. Achieving a premium suggests that the government is receiving a more favourable price at auction compared with the price at which the gilt can be bought/sold in the secondary market and, therefore, such an outcome contributes to the government's objective of minimising the cost of financing over the long term.

On this basis, a total premium of £76.0 million[37] was achieved across the 86 gilt operations (64 auctions and 22 gilt tenders) held in 2025-26: an average of £0.9 million per operation. The average premia for auctions at the different maturities and types of gilt were as follows:

- Short conventional: £1.0 million
- Medium conventional: £1.4 million
- Long conventional: £1.2 million
- Index-linked: £1.2 million

Chart 15: Auction and gilt tender premium by financial year (%) from 2025-26 to 2025-26



Source: DMO

[37] Calculated as the difference between the lowest or average accepted price for index linked or conventional auctions respectively, and the market mid at the time of the auction.

Chart 15 shows the premium realised as a percentage of total auction/gilt tender proceeds over an 11-year period. The chart shows a slight decrease in the premium realised in 2025-26 versus 2024-25.

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

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

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

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

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

Risk indicators

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

- **Inflation risk** - Exposure to inflation, reflecting that principal and coupon payments due on index-linked gilts are indexed to the RPI. In Figure 2.B

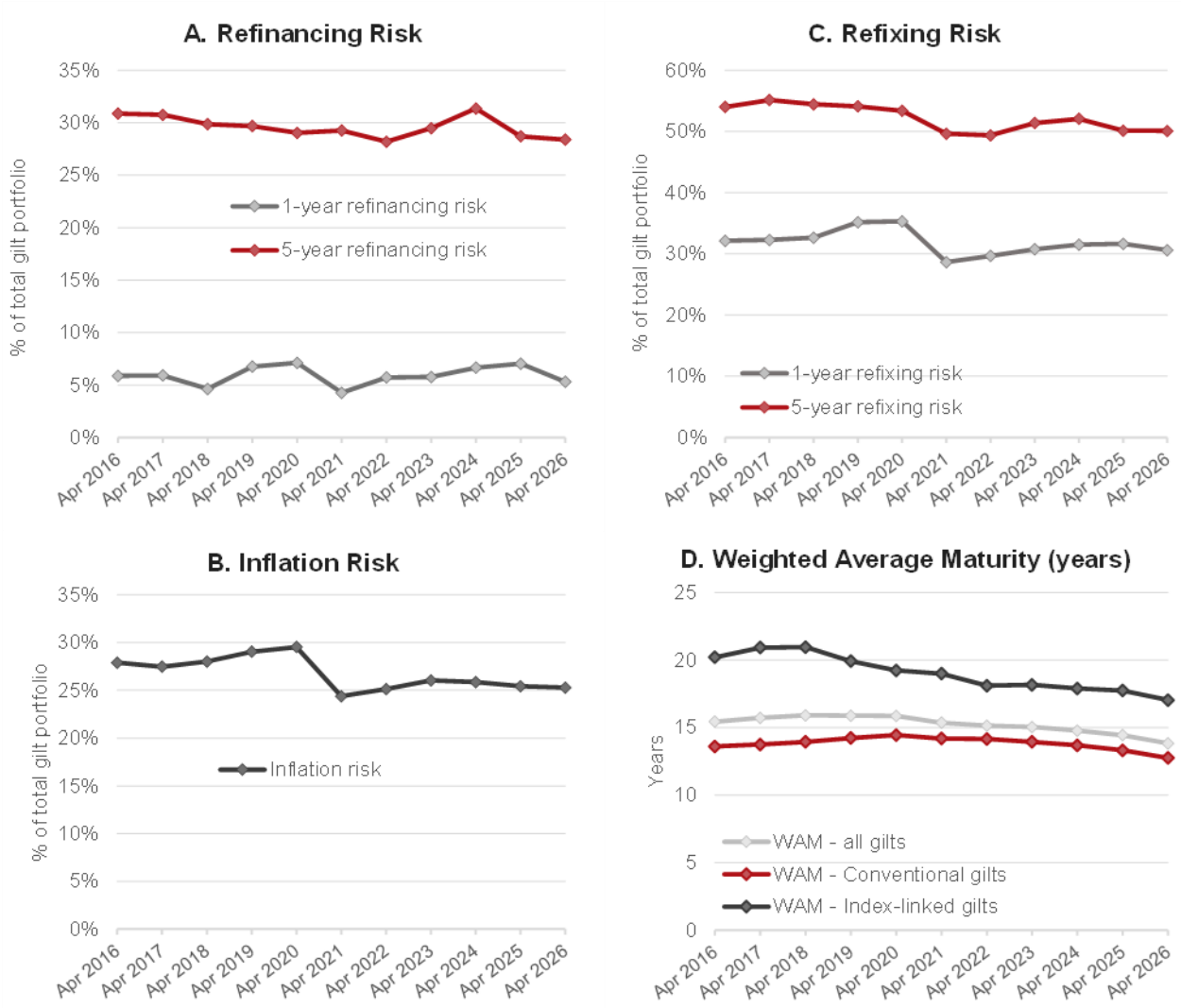
inflation risk has been measured as the amount of index-linked debt as a proportion of the portfolio as a whole, in uplifted nominal terms[38].

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

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

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

Figure 2: Portfolio risk indicators from January 2016 to January 2026



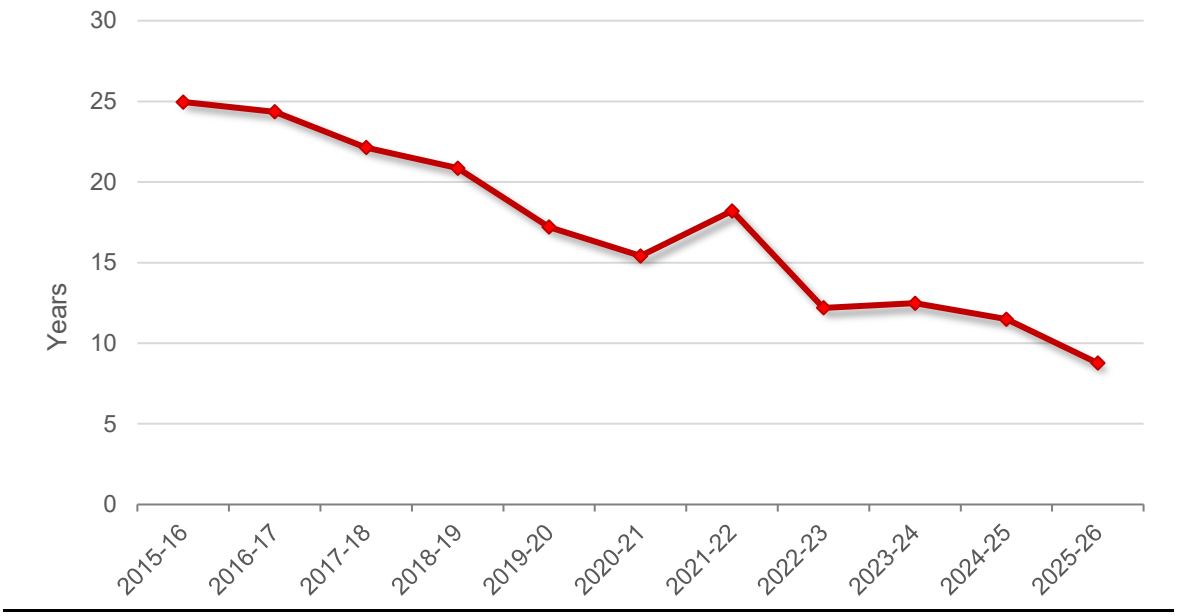
Source: DMO

Table 14: Risk metrics: 2024-25 versus 2025-26[39]

Risk Measures	2024-25	2025-26	Change
One-year refinancing risk	7.0%	5.3%	-1.7 pp
Five-year refinancing risk	28.7%	28.4%	-0.3 pp
One-year refixing risk	31.6%	30.6%	-1.1 pp
Five-year refixing risk	50.1%	50.1%	-0.1 pp
Inflation risk	25.4%	25.3%	-0.2 pp
Weighted average maturity	14.4 yrs	13.8 yrs	-0.6 yrs

Source: DMO

Chart 16: Weighted average gilt issuance maturity (years) from 2015-16 to 2025-26



Source: DMO

Risk Indicators – results

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

At Budget 2018 – and as part of the government's responsible approach to fiscal risk management – the government announced that it would look to reduce the proportion of index-linked gilt issuance annually in a measured fashion over the medium term, as a means of reducing its inflation exposure in the debt portfolio. In the five years prior to 2018-19, index-linked gilts accounted for around 25% of the government's annual

[39] Figures may not sum due to rounding.

debt issuance, for which both the principal and coupon payments are indexed to RPI. Since then, the government has reduced inflation exposure in relative terms. The proportion of index-linked gilts in the wholesale debt stock was lower at the end of 2023 than at the end of 2018 (26.5% compared to 27.6%).

As set out in Table 14, there were few significant moves in any of these indicators in 2025-26 when compared to 2024-25. In 2025-26, a slightly higher proportion of gilts in the short and medium sectors was issued relative to 2024-25. Accordingly, the weighted average maturity of the gilt portfolio trended slightly downwards (as illustrated in Figure 5). However, this has not yet had any significant impact on one year refinancing or refixing risk with various measures of refinancing and refixing risk having fallen in 2025-26 when compared with 2024-25. This is a result of slightly higher than average gilt redemptions taking place in 2025-26. Refinancing and refixing risk remain contained on a historical basis. Inflation risk remains steady at around 25%.

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

Counterfactual analysis

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

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

The assumption that the counterfactual issuance patterns themselves would not have had any impact on issuance yields is unlikely to hold in practice, particularly where the gilt issuance pattern under the counterfactual is significantly different from actual

issuance. Whilst it is likely, certainly over the medium- to longer-term, that the greatest influences on the level of yields will be macroeconomic conditions, market expectations of interest rates, and other external factors over which the debt manager has no control, establishing the extent to which changes in volumes and patterns of supply might affect yields is more challenging, particularly given varying patterns of government and other gilt supply between years.

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

Table 15 sets out the actual issuance (via auction and syndication) for 2025-26 with three counterfactual issuance patterns, namely:

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

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

Table 15: Actual and counterfactual issuance distributions

	Actual distribution £bn	Shorter Distribution £bn	Even Distribution £bn	Longer Distribution £bn
Conventional				
Short	123.6	190.2	84.5	63.4
Medium	99.0	31.7	84.5	63.4
Long	31.1	31.7	84.5	126.8
Total Conventional	**253.6**	**253.6**	**253.6**	**253.6**
Index-linked				
Short	3.3	7.3	9.7	2.9
Medium	21.8	19.0	9.7	19.0
Long	4.0	2.9	9.7	7.3
Total Index-linked	**29.2**	**29.2**	**29.2**	**29.2**
All Issuance	**282.8**	**282.8**	**282.8**	**282.8**

Source: DMO

Table 16: Changes in cost and risk measures for counterfactual issuance distributions[40]

		Shorter Distribution	Even Distribution	Longer Distribution
Cost Measures	**Average Issuance Yield**	-16.5 pp	18.0 bp	32.1 bp
	EIR	-1.0 pp	3.1 bp	5.5 bp
Risk Measures	**5-year refinancing risk**	2.3 pp	-1.4 pp	-2.2 pp
	5-year refixing risk	2.4 pp	-1.4 pp	-2.2 pp
	Weighted average maturity	-1.9 months	4.2 months	7.0 months

Source: DMO

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

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

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

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

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

Chapter 4
Exchequer cash management

Exchequer cash management remit 2025-26

The DMO's cash management remit for 2025-26, published alongside Budget 2025 on 26 March 2025, specified that the government's cash management objective remains:

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

HM Treasury and the DMO work together to achieve this, with HM Treasury providing information to the DMO about flows into and out of the National Loans Fund (NLF) and the DMO making arrangements for funding and for placing net cash positions, primarily by carrying out market operations on the basis of HM Treasury forecasts. The DMO successfully delivered its cash management remit for 2025-26.

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

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

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

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

Additionally, the DMO traded a number of other money market instruments to ensure that the government's daily cash requirements were met. In 2025-26 the DMO carried out its cash management objective primarily through a combination of:

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

The average accepted yields achieved at the weekly T-bill tenders are assessed against the SONIA[41] rates for the relevant maturities. These are reported in Annex B.

The stock of T-bills in issue can vary within year and across the financial year-end according to cash management requirements[42].

Cash management transactions

The most significant portion of cash management operations in 2025-26, as in previous years, was via transactions negotiated by the DMO with market counterparties. To ensure competitive pricing, the DMO maintains relationships with a range of money market counterparties with whom it transacts both directly and via voice and electronic brokers. The DMO transacts both bilaterally and on a cleared basis. The DMO's cash management activities resulted in trading turnover of £7.1 trillion during 2025-26.

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

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

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

Chart 17 shows the scale of daily cash flows measured in terms of the Net Exchequer Position (NEP) in 2025-26 on a daily and cumulative basis. The NEP excludes the effects of gilt sales, T-bill issuance, and National Savings & Investments (NS&I's)

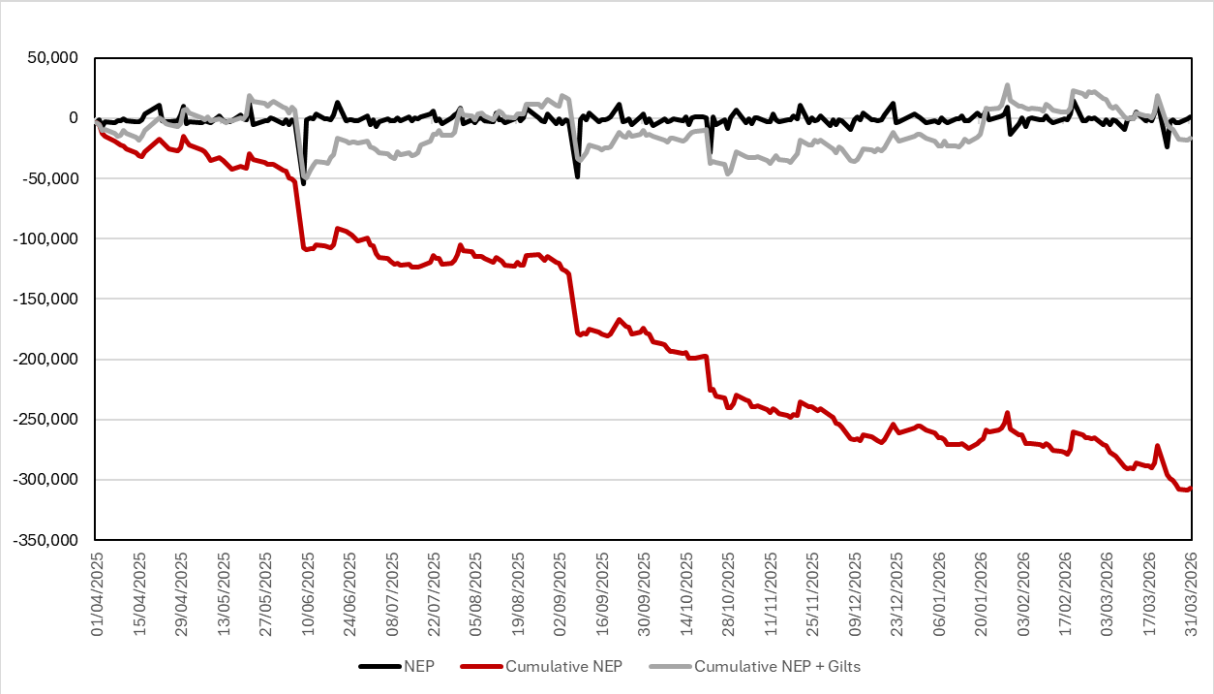
[41] Sterling Overnight Index Average.

[42] Details are published on the DMO website at: https://www.dmo.gov.uk/data/treasury-bills/treasury-bill-issuance-and-stock/. The breakdown of the T-bill portfolio by maturity date is published on the DMO website at: https://www.dmo.gov.uk/data/treasury-bills/treasury-bills-outstanding/

overall net contribution to financing and, therefore, shows the cumulative in-year deficit which must be financed.

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

Chart 17: Exchequer cash flows 2025-26 (£ million)



Source: DMO

Gilt collateral creation for cash management purposes

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

The DMO created gilt collateral on one occasion in 2025-26:

- As part of the press notice published on 28 March 2025 outlining the Q1 2025-26 T-bill tender calendar, the DMO also announced that it would create and issue £20.0 billion (in cash terms) of gilt collateral[43]. Details of the amounts of each gilt to be issued were subsequently published on 4 April 2025[44]. These additional amounts were not made available to the repo market as specific gilts

[43] This can be accessed at: https://dmo.gov.uk/media/kzcb24vk/pr280325.pdf.
[44] This can be accessed at: https://dmo.gov.uk/media/rt1nazck/pr040425collateral.pdf.

for a period of three months following their creation but were available for use in Delivery by Value ("DBV") transactions during this time.

Definition of cash management risk appetite

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

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

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

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

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

Active cash management performance framework

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

This active cash management framework is designed to allow specialist cash managers to select appropriate counterparties, instruments, and maturities to deliver the cash management remit at minimum cost subject to agreed risk limits. Formal

performance reporting is in place as a means of enhancing effectiveness and ensuring accountability. The results for 2025-26 are presented below.

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

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

The cash management performance report

The DMO's high level cash management objective has been subdivided into a series of objectives which can be measured by a series of KPIs. These are shown in Table 17. The following section explains how performance was delivered against these objectives in 2025-26.

Table 17: Components of the cash management objective

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

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

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

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

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

- The DMO ensured a positive end-of-day DMA balance for every day in 2025-26.

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

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

KPI 1.2: The DMO will conduct market operations with a view to achieving, within a very small range, the weekly cumulative target balance for the DMA at the Bank of England. The DMO will maintain formal and informal channels of

communication with the Bank on conditions in the sterling money markets. The DMO will seek to avoid holding weekly or ad hoc T-bill tenders when the Bank conducts its operations.

- The DMO achieved its target weekly cumulative balance for the DMA (+/-2% of its weekly cumulative target) in 44 out of the 52 weeks in 2025-26 compared with 46 out of the 52 weeks in 2024-25. All significant known daily and forecast cumulative weekly variations from target were notified to the Bank of England in a timely fashion. The DMO and the Bank of England held regular meetings to review the operation of these arrangements.

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

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

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

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

Throughout 2025-26, the DMO undertook regular formal and informal communication with the Bank of England, money market counterparties, and industry groups to assess liquidity in the sterling money markets. It also maintained frequent and regular dialogue to update HM Treasury on market liquidity and, working with HM Treasury, reviewed its trading policies and risk controls to respond to significant sterling liquidity trends and developments.

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

The active cash management framework encompasses a series of quantitative liquidity, interest rate, foreign exchange and credit risk limits that together reflect the government's risk preferences and are designed to be consistent with the wider policy objectives which the government sets its cash manager[45].

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

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

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

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

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

Active cash management recorded positive net interest after cost of funds, but before transaction and management costs, of £54.3 million for 2025-26. The DMO's estimated transaction and management costs during 2025-26 were £12.6 million.

A net surplus after cost of funds has been recorded by virtue of funding the Exchequer's daily cash needs in the wholesale money markets at rates that were on

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

average below the DMA's internal cost of funds (Bank Rate) and from investing surpluses at market rates that were on average above the DMA's internal cost of funds.

There were no breaches of the daily settlement, interest rate, foreign exchange or liquidity risk limits in 2025-26 and the Exchequer's net cash position was successfully offset each day. Market exposure may result in technical breaches of counterparty credit limits, which are rectified with margin calls.

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

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

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

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

As stated in the report on KPI 1.3 above, in 2025-26 the DMO maintained an active and open dialogue with money market counterparties and other market stakeholders to explain its cash management approach and strategy and to explain the context for and receive feedback on T-bill tenders and other market operations.

The DMO's operational target for trade settlement[46] was achieved. The release time for the 51 T-bill tenders in 2025-26 was between 3 and 9 minutes and averaged 4.5 minutes[47] – the published results were accurate in all cases.

[46] The target was to settle at least 99% of trades by value on the due date, where the DMO was responsible for delivering stock or cash: the level achieved was over 99.99%.

[47] The target was to release T-bill tender results within 15 minutes of the close of offer.

T-bill tender performance

Table 18 and Charts 18 to 20 compare the results (in terms of the average accepted yield) of all T-bill tenders held in 2025-26 with the corresponding SONIA rates. Over the financial year the average accepted yields at one-month tenders outperformed the corresponding SONIA rates by 2.3bp, whereas the average accepted yields at three- and six-month tenders underperformed the corresponding SONIA rates by 10.0bp and 13.7bp respectively.

The average size of 3-month T-bill tenders was more than two times that of the average for 1-month tenders, while the average size of 6-month tenders was more than three times larger. Average cover ratios remained comfortably above 3x for each maturity (see Table 19).

Table 18: Comparison of average T-bill tender yields with SONIA rates in 2025-26

	Average tender yield (%)	Average SONIA rate (%)	Difference (bp)
1-month	3.960	3.984	-2.3
3-month	4.036	3.936	10.0
6-month	4.007	3.870	13.7
Average	**4.001**	**3.930**	**7.1**

Figures may not sum due to rounding.

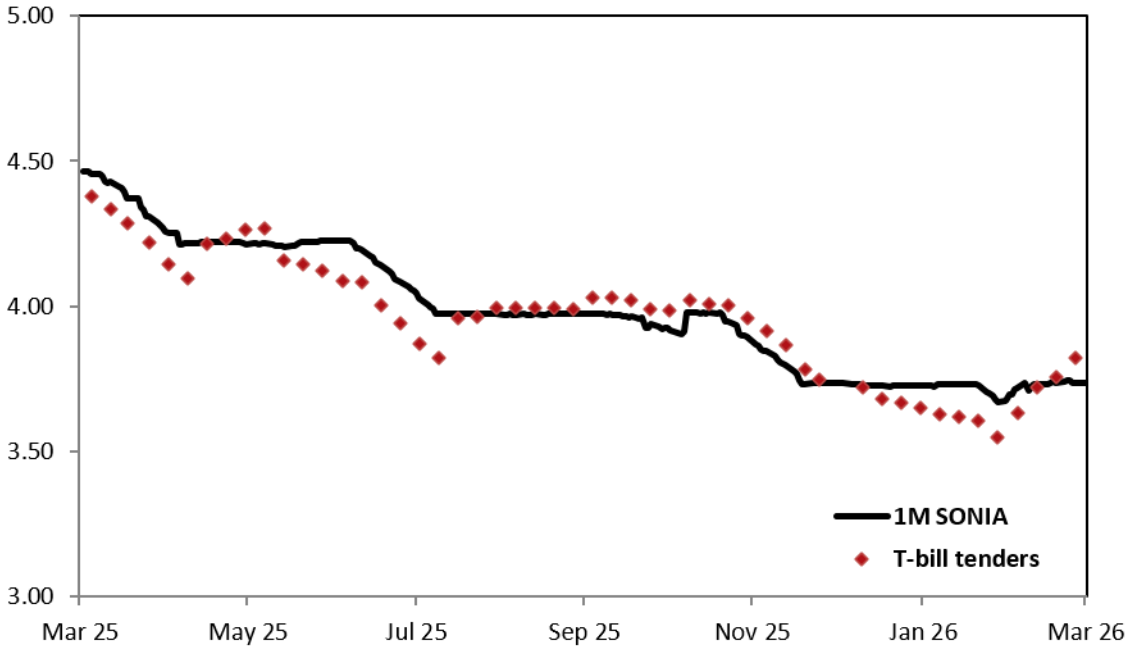
Source: DMO

Table 19: Comparison of average T-bill tender sizes and cover ratios in 2025-26

	Average tender size (£mn)	Average cover ratio (x)
1-month	863	3.57
3-month	2,010	3.27
6-month	2,745	3.23

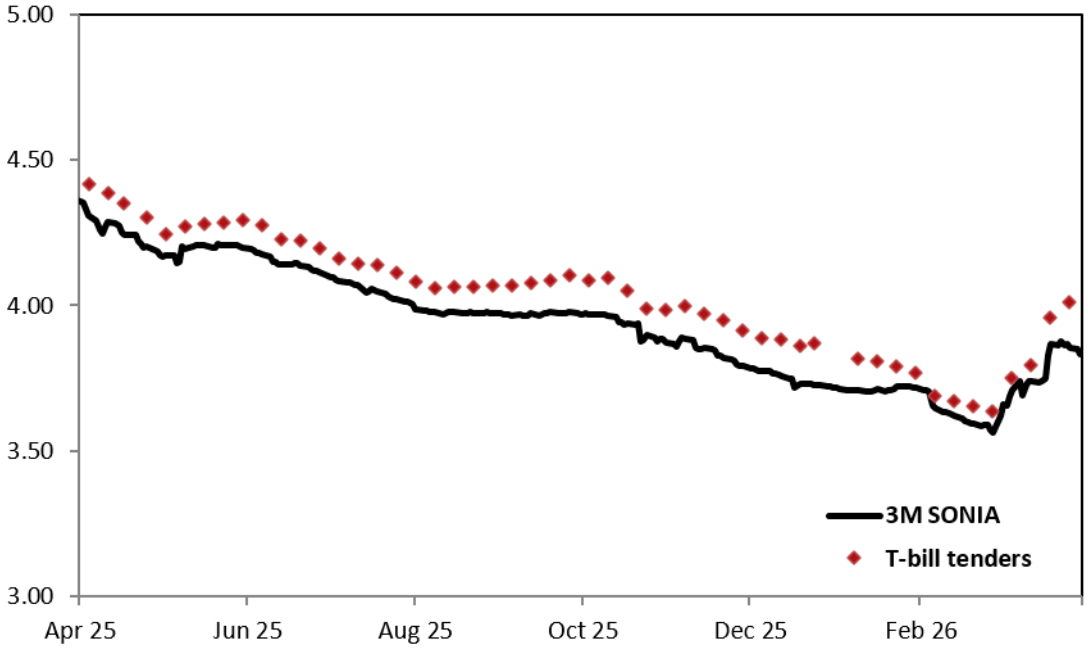
Source: DMO

Chart 18: 1-month T-bill tender yields compared with SONIA rates in 2025-26 (%)



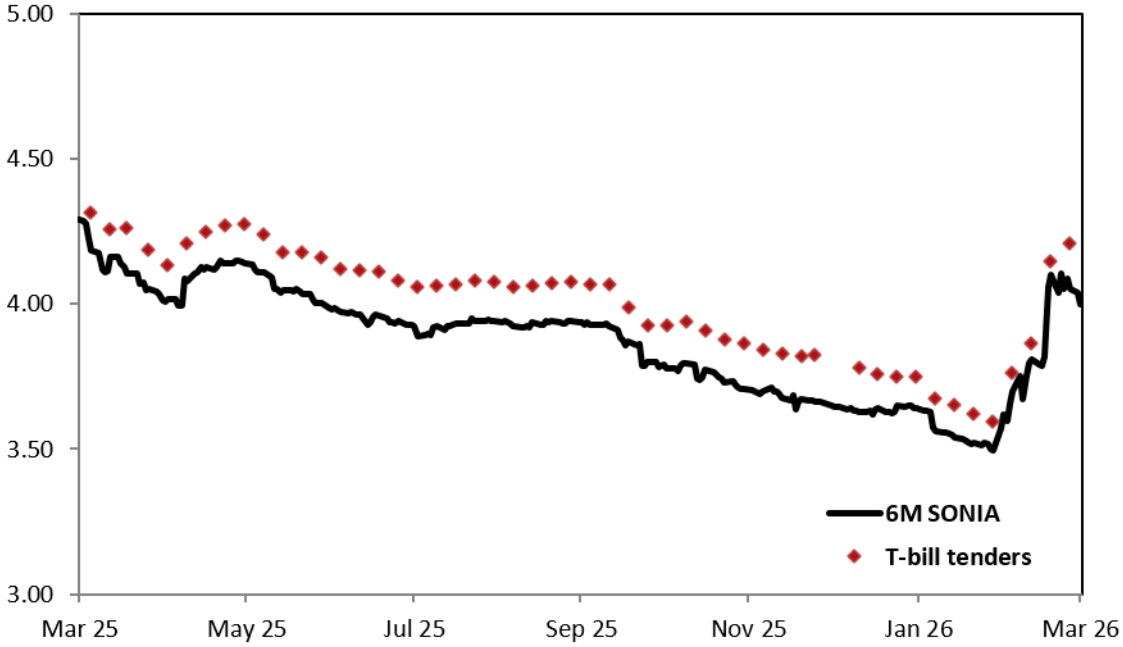
Source: DMO/Bloomberg

Chart 19: 3-month T-bill tender yields compared with SONIA rates in 2025-26 (%)



Source: DMO/Bloomberg

Chart 20: 6-month T-bill tender yields compared with SONIA rates in 2025-26 (%)



Source: DMO/Bloomberg

Response to the consultation on expanding and deepening the UK T-bill market

The government announced at Budget 2025 its intention to launch a consultation on expanding and deepening the UK T-bill market. The consultation was launched on 5 January and closed on 27 February 2026[48]. HM Treasury and the DMO announced that any decisions taken around the expansion and deepening of the T-bill market will be communicated in the 2026-27 financial year, with sufficient notice to give the market time to prepare.

HM Treasury and the DMO published on 5 May 2026 the government's response to the consultation on expanding and deepening the UK T-bill market[49]. Taking into account respondents' feedback, and following an assessment of cost and risk, HM Treasury and the DMO announced three measures:

- The introduction of T-bills around the 12-month maturity point at weekly tenders by the end of the 2026-27 financial year;
- The establishment of a Standing Repo Facility (SRF) for T-bills in the 2026-27 financial year; and
- The creation and maintenance by the DMO of a T-bill collateral pool (i.e., with such T-bills not available for outright sale) that can be deployed in the secondary market to support DMO repo market activity.

[48] The consultation document can be accessed at: https://dmo.gov.uk/media/nrgnywtz/pr050126.pdf.
[49] This can be accessed at: https://dmo.gov.uk/media/cjzdbncl/cons050526.pdf.

HM Treasury and the DMO committed to providing further updates around the implementation of measures at Autumn Budget 2026.

Annex A
The debt portfolio

Table 20: Debt portfolio statistics (gross)

Gross values (including DMO holdings)	31 March 2025	31 March 2026
Uplifted nominal value (£ billion)		
Debt portfolio[50]	£2,716	£2,906
Conventional gilts	£2,005	£2,144
Index-linked gilts	£636	£673
T-bills	£75	£90
Market value (£ billion)		
Debt portfolio	£2,279	£2,438
Conventional gilts	£1,677	£1,794
Index-linked gilts	£528	£556
T-bills	£74	£89
Average maturity (nominal value-weighted)		
Debt portfolio	14.02 years	13.40 years
Gilt portfolio	14.41 years	13.82 years
Conventional gilts	13.38 years	12.83 years
Index-linked gilts	17.68 years	16.97 years
Average maturity (market value-weighted)		
Debt portfolio	11.96 years	11.32 years
Average yield (market value-weighted)		
Conventional gilts	4.55%	4.79%
Index-linked gilts	1.31%	1.32%
Average modified duration (market value-weighted)		
Conventional gilts	7.84 years	7.46 years
Index-linked gilts	14.36 years	13.72 years

Source: DMO

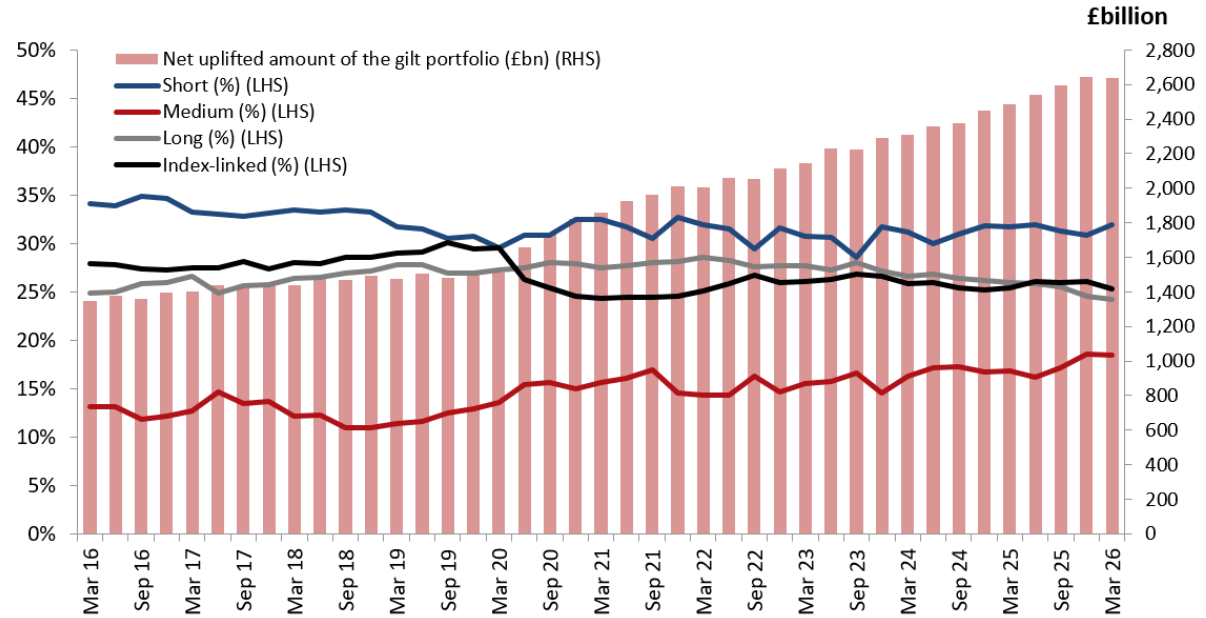
[50] The debt portfolio comprises the value of all central government wholesale debt and includes both gilts and T-bills.

Table 21: Debt portfolio statistics (net)

Net values (excluding DMO holdings)	31 March 2025	31 March 2026
Uplifted nominal value (£ billion)		
Debt portfolio	£2,558	£2,731
Conventional gilts	£1,852bn	£1,973
Index-linked gilts	£631bn	£668
T-bills	£75bn	£90
Market value (£ billion)		
Debt portfolio	£2,139	£2,287
Conventional gilts	£1,542	£1,648
Index-linked gilts	£523	£550
T-bills	£74	£89
Average maturity (nominal value-weighted)		
Debt portfolio	14.02 years	13.38 years
Gilt portfolio	14.44 years	13.83 years
Conventional gilts	13.31 years	12.75 years
Index-linked gilts	17.74 years	17.03 years
Average maturity (market value-weighted)		
Debt portfolio	11.92 years	11.28 years
Average yield (market value-weighted)		
Conventional gilts	4.54%	4.79%
Index-linked gilts	1.31%	1.32%
Average modified duration (market value-weighted)		
Conventional gilts	7.79 years	7.41 years
Index-linked gilts	14.42 years	13.78 years

Source: DMO

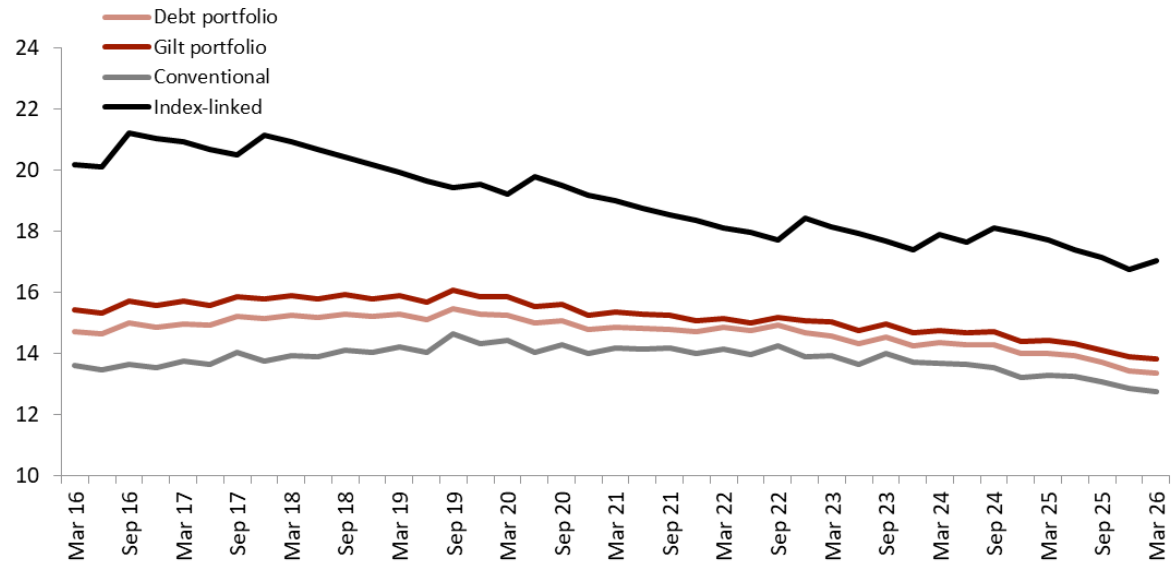
Chart 21: Gilt portfolio composition[51]



Source: DMO

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

Chart 22: Portfolio maturity (years)[52]



Source: DMO

[52] Based on net uplifted values.

Annex B
Other published information on DMO activities

General DMO performance

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

- the purpose and principal activities of the DMO;
- a performance summary of the DMO's main activities;
- a report on achievements against agency objectives as set by HM Treasury;
- a report on performance against agency targets, including:
  - compliance with the financing remit
  - gilt and T-bill operation results - release times
  - accuracy of the recording of transactions through the DMA
  - compliance with the Freedom of Information Act 2000
  - avoidance of breaches of operational notices
  - compliance with the schedule for reporting cash management operational balances
  - accurate and timely administration of settlement procedures
  - accuracy of publications and timeliness of announcements
  - timeliness of processing of local authority loan and early repayment applications
  - appropriate operation of the DMO (retail) gilt purchase and sale service

Debt management operations

The principal publications[53] describing the DMO's activities in the gilt market are:

"Official Operations in the Gilt Market – An Operational Notice", which provides details on the operational procedures conducted by the DMO in the gilt market; and

The *"GEMM Guidebook – a guide to the roles of the DMO and Primary Dealers (GEMMs) in the UK government bond market"*, which is aimed at DMO gilt market

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

counterparties. This document outlines their obligations as GEMMs and the DMO's obligations to them.

The legal details behind the DMO's gilt issuance activities are set out in the *"Information Memorandum – Issue, Stripping and Reconstitution of British Government Stock"*.

Cash management operations

The principal publication describing the DMO's activities in carrying out Exchequer Cash Management in the UK and also the legal and technical background to the issuance of T-bills is the:

- *"Cash Management Operational Notice & UK Treasury Bills Information Memorandum"*

Other relevant sources of information include:

- *"About Treasury bills"*

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

- *"Discretionary bilateral Treasury bill Issuance"*

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

- A list of *"Treasury bill Primary Participants"*

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

Digital Gilt Instrument (DIGIT)

In November 2024, the Chancellor of the Exchequer announced at Mansion House the launch of a pilot Digital Gilt Instrument (DIGIT) issuance, leveraging cutting-edge distributed ledger technology (DLT)[54]. This announcement was followed by a Written Statement to Parliament, outlining further details of the issuance and highlighting the

[54] This announcement can be found at: https://www.gov.uk/government/speeches/mansion-house-2024-speech.

Government's commitment to engaging with the sector in 2025[55]. Additional information and engagement on DIGIT was announced on 18 March 2025[56].

The pilot DIGIT issuance is seeking to:

- enable the Government to explore how DLT can be applied to UK sovereign debt issuance processes; and

- catalyse the development of UK based DLT infrastructure and the adoption of DLT across UK financial markets.

Following a competitive tender process in late 2025, the government announced[57] the appointment of HSBC and the use of their Orion platform for the pilot DIGIT issuance.

The Chancellor of the Exchequer announced in the Mansion House Speech 2026 that the Government has confirmed its intention to issue the first Digital Gilt Instrument no later than the first quarter of 2027, and intends to prepare for potential further issuances, subject to the success of the first transaction.

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

[55] The Written Statement can be found at: https://questions-statements.parliament.uk/written-statements/detail/2024-11-18/hcws228.

[56] This announcement can be found at: https://www.gov.uk/government/publications/announcement-of-preliminary-market-engagement-exercise-for-the-digital-gilt-instrument-digit-pilot/additional-information-and-engagement-on-the-digital-gilt-instrument-digit.

[57] This announcement can be accessed at: https://www.gov.uk/government/news/update-on-the-procurement-for-digital-gilt-instrument-digit-pilot.