

## Is the Office for National Statistics still ducking the...

Published: January 16, 2026, 6:54 am

---

Regular readers will be aware that the cost of servicing the UK's so-called debt has been a subject of discussion here, most especially as it relates to index-linked bonds. After one recent discussion, I wrote to the Office for National Statistics, whose team in this area I have been in regular correspondence with for some time, as follows:

*The blog that I write has seen rather more discussion on issues relating to accounting for national debt related issues than anywhere else I know of. The most recent discussion has focussed on the accounting for index linked bonds, which is fundamental at present to the claimed increases in the costs of government debt financing. This debate has given rise to questions on three issues, on which I hope you might be able to provide clarification. These are as follows:*

### **1. Cost of interest on index linked bonds (ILB)**

Might you please provide an example of the calculation of interest payable and capital repayable on an example ILB e.g. 20 year life, fixed coupon, issued at a premium, steady inflation barring, say a single year with an enhanced 10% inflation rate? I stress, I am in this first instance interested in payments due on a cash flow basis. It will help to be sure how you think these ILBs work when appraising the accounting for them. I have an opinion, but alternatives have been offered and the DMO example is not absolutely clear.

### **2. Accounting for interest on index linked bonds**

- Might you explain the accounting methodologies used for ILB premiums received?
- Might you please also explain the accounting for the unwinding of this premium over the life of the ILB?
- How is interest payable accounting for? Does the accounting vary from cash paid (excepting accruals during the period until payment is made)? If so, why? Where is the other side of the entry in the calculation of government debt if there is a variance?

- The capital to be redeemed in the case of an ILB is, of course, unknown until redemption date. How is this sum estimated by the ONS during the life of the ILB? What assumptions are used to underpin this valuation model? Do your estimates vary from that used by the DMO? If so, why?

- How is variation in the estimated redemption value accounted for by the ONS during the life of the ILB? In particular, what is the double side of the entries made and how is their conditional nature identified?

In each of these cases can you supply supporting evidence to justify the adoption of the accounting bases used?

Might you also please explain any differences in your methodology to that used by the Debt Management Office, if they exist?

Some further issues were discussed, but they are for another day.

I was told that there would be a response published on 18 July, and this morning they reminded me of this. [The response is here.](#)

**I am not running at full energy today and so do not want to offer too strong an opinion when I might need more time to reflect. But it seems to me that the ONS response almost entirely ignores the second batch of questions and offers too simplistic an example to adequately answer the first.**

**Thoughts, please, but isn't it reasonable to think that a complex issue might be dealt with at an appropriate level of complexity? As I read it, the essence of the response is that the ONS is following rules, without actually citing the rules being followed. I think we are due something better than that on such an important issue.**