

DMO FINANCING REMIT 2021-22

1. The DMO's financing remit for 2021-22 has been published today alongside Budget 2021. The main points, including operational aspects, are summarised below.

DMO's Net Financing Requirement

2. The Net Financing Requirement (NFR) for the DMO in 2021-22 is forecast to be £297.7 billion; this will be financed by gilt sales of £295.9 billion and net Treasury bill sales for debt management purposes of £1.8 billion.

Gilt sales

3. Planned gross gilt sales of £295.9 billion will be met through a combination of:

a. £237.9 billion of issuance (80.4% of total sales) in 93 auctions, with a planned split as follows¹:

○ Short conventional	£87.0 billion in 25 auctions
○ Medium conventional	£65.4 billion in 23 auctions
○ Long conventional	£66.3 billion in 30 auctions
○ Index-linked	£19.2 billion in 15 auctions

b. A current plan for approximately £30.0 billion via syndications (10.1% of total sales) to be raised via:

- Approximately £16.5 billion of long conventional gilts in three transactions; and
- Approximately £13.5 billion of index-linked gilts in three transactions.

c. £28.0 billion (9.5% of total sales) from an initial unallocated portion of issuance, which may be used to issue any type or maturity of conventional and index-linked gilt via any issuance method. The unallocated portion of issuance is, in general, intended to facilitate remit delivery by permitting gilt supply to be tailored more responsively in-year to developments in the gilt market. In 2021-22, issuance of green gilts will also draw down on this unallocated portion.

4. The government is committed to its longstanding policy of transparency and predictability. The initially planned split of gilt issuance by type, maturity and issuance method is set out in Annex A. However, in order to ensure successful delivery of the financing programme in 2021-22, both the split of issuance and the mix of distribution methods used to deliver it may vary during the year.

¹ Figures may not sum due to rounding.

- a. The overall split of issuance by maturity and type of gilt is likely to be affected by the DMO's issuance decisions in-year, taking account of market feedback and the use of the initially unallocated portion of issuance. Consequently, the overall split of issuance by the end of the financial year may depart from the initial plans published in this remit at Budget 2021.
 - b. The DMO may, at any time during the financial year, make alterations to the amounts of financing that it plans to raise through each issuance method. This may include increases in the size of the unallocated portion of issuance during the financial year, for example, as a result of the DMO's decisions on the sizes of syndicated offerings.
5. Consequently, gilt sales from either the syndication and/or auction programmes at any maturity sector may vary from a broadly even-flow delivery during the financial year. Proceeds raised following the final transaction of each syndication programme may also vary from the planned total for each programme.
6. Any changes in the breakdown of planned gilt issuance either by type, maturity and/or issuance method will be reported in the normal way, including alongside updates to the financing remit (for example at future fiscal events) and at quarterly intervals (see also paragraphs 9 and 12). However, changes may also be announced at other times, including following individual syndicated offerings.

Green gilt issuance

7. In November 2020, the Government announced its intention to issue its inaugural green gilt in 2021. At Budget 2021, the Chancellor also announced plans to issue green gilts twice in 2021 with the UK's first green gilt launched in the summer, as the UK looks to build out a green yield curve. In addition, it was announced that the total green gilt issuance for the financial year will be for a minimum size of £15 billion.

The gilt auction programme

8. The planned gilt auction calendar in 2021-22 is set out in Annex B.
9. The DMO will publish average auction size ranges (in cash terms) by maturity and type in its quarterly issuance calendar announcement for April-June 2021. Assumptions for average auction size ranges will be updated in subsequent quarterly issuance calendar announcements.
10. The DMO may size an individual auction outside published average auction size ranges taking into account, amongst other things, the specific maturity of the gilt being sold and prevailing market conditions.

Changes to the planned gilt auction calendar

11. The DMO's general intention will be to implement the planned auction calendar as published alongside Budget 2021, whilst recognising the importance of allowing scope to respond appropriately to unforeseen or changing circumstances through in-year adjustments to the calendar. Hence, the planned gilt auction calendar may be

altered, for example, to accommodate the Chancellor's decisions on the fiscal event timetable, any significant data releases or market sensitive events announced subsequently and/or to accommodate the scheduling of a syndicated offering. The DMO will provide the market with prior notice of any such alteration.

12. The planned gilt auction calendar may also be changed on a quarterly basis following consultation with the market. Any such change(s) to the planned auction calendar for the forthcoming quarter would be set out as part of the quarterly issuance announcement. The reason(s) for any change(s) to the auction calendar may include an alteration to the assumed mix of issuance methods to deliver the planned financing by gilt type and maturity in the forthcoming quarter.

The syndication programme

13. Any type and maturity of gilt can be sold through syndication and the DMO will announce on a quarterly basis its planned syndication programme.

14. Any impact on the mix of distribution methods used to deliver the financing programme will be reported by the DMO.

15. The DMO's initial planning assumption is that it will hold six syndicated offerings (three of long conventional gilts and three of index-linked gilts) in 2021-22. The DMO will announce updates on the progress of the syndication programme in press notices announcing the result of each transaction and in its quarterly issuance calendar announcements. Each syndicated offering will be sized having regard to the amount and quality of end-investor demand in the order book.

16. Where the unallocated portion of the gilt issuance programme is used to increase the size of syndicated offerings, the unallocated portion will be reduced accordingly. In circumstances where the DMO decides to raise, via a syndicated transaction, proceeds that fall below any assumed even-flow amount, the shortfall may be transferred from the syndication programme to increase the size of the unallocated portion (see also paragraph 4).

17. In order to maintain the operational viability of syndicated offerings at the end of each programme, the overall size of the syndication programmes (conventional and/or index-linked) may be increased by up to 10% (in cash terms) at the time of the final syndicated offering of each type.

Gilt tenders

18. Gilt tenders may be used to assist with delivery of the financing remit. Gilt tenders may also be used for market management reasons.

19. The DMO will aim to announce the date, the choice of gilt to be sold and the maximum size of any gilt tenders at least two business days in advance. Gilt tenders may also be scheduled with shorter notice, as required, for market management reasons.

20. Gilt tenders may be used to issue any type and maturity of gilt and may be scheduled ad hoc or as part of a programme.

21. The choice of gilt to be issued at any gilt tender will be determined on a case-by-case basis by the DMO, taking into account market feedback. Gilt tenders will be sized by the DMO on an operation-by-operation basis, but will generally be smaller than an auction of a gilt with comparable maturity.

Post Auction Option Facility (PAOF)

22. In 2021-22 the DMO will continue to offer successful auction bidders (both primary dealers and end-investors) an option to purchase additional stock via the PAOF, at a rate of 25%. Full details are set out in section 2.6 of the gilt market Operational Notice².

23. Any amounts sold via the PAOF in 2021-22 will, other things being equal, reduce the implied average sizes of auctions but the DMO may choose to offset some or all of any such reduction by transfers from the unallocated portion of issuance.

24. If exercised consistently, proceeds from the PAOF may allow for the cancellation of auctions later in the financial year. Any such cancellation(s) would be announced well in advance as part of issuance calendar announcements.

Treasury bill sales

Debt management

25. At Budget 2020 it was anticipated that net Treasury bill sales would make a zero net contribution to meeting the NFR in 2020-21; this was adjusted to a negative contribution of £2.0 billion at the remit adjustment on 25 November 2020, implying a stock of Treasury bills for debt management purposes at end-March 2021 of £60.0 billion.

26. The outturn amount that net Treasury bill issuance has contributed to debt financing in 2020-21 will be reported by the DMO in April 2021.

27. It is currently anticipated that net Treasury bill issuance for debt financing purposes will make a net contribution of £1.8 billion to meeting the NFR in 2021-22. Any changes to this plan would be announced as part of any future revision to the 2021-22 remit. The outturn net contribution of Treasury bills to debt financing in 2021-22 will be reported by the DMO in April 2022.

Exchequer cash management

28. Treasury bills issued for cash management purposes will not contribute to the stock of Treasury bills issued to meet the NFR. Outturn information on the total stock of outstanding Treasury bills will continue to be published on the DMO website

² <https://dmo.gov.uk/media/17198/opnot050121.pdf>

alongside information about the outturn stock of Treasury bills for debt financing purposes.

Changes to the financing requirement

29. The Debt Management Report (DMR) 2021-22 includes the Office for Budget Responsibility's revised forecasts for the Central Government Net Cash Requirement (excluding NRAM Ltd (NRAM), Bradford & Bingley (B&B) and Network Rail (NR)) in 2020-21 and 2021-22 of £369.7 billion and £240.4 billion respectively. The new forecast for 2020-21 is £32.8 billion lower than the forecast published at the remit revision on 25 November 2020, whilst the forecast for 2021-22 is £63.8 billion higher³.

30. The other main change impacting on financing in 2020-21 since the remit revision in November 2020 is a forecast £15.0 billion lower net contribution to financing from NS&I (taking their forecast net contribution to £20.0 billion).

31. The projected level of the DMO's net cash balance at 31 March 2021 is £18.3 billion, £17.8 billion higher than that projected at the November remit revision. The level will be reduced to £2.3 billion at the end of 2021-22, as shown in the financing arithmetic below by the "financing adjustment carried forward from previous financial years" of -£16.0 billion, and this will reduce the NFR in 2021-22 accordingly.

Supplementary Information

32. The initially planned split of gilt issuance by type, maturity and issuance method is published at Annex A.

33. The planned gilt auction calendar dates for 2021-22 is published at Annex B.

34. The financing arithmetic for 2020-21 and 2021-22 is published at Annex C.

35. Illustrative gross financing projections from 2022-23 to 2025-26 are published at Annex D.

³ Figures may not sum due to rounding.

Annex A. Initially planned split of gilt issuance by type, maturity and issuance method in 2021-22

	Auction	Syndication	Gilt tender	Unallocated	Total
Short conventional £ billion	87.0				87.0 29.4%
Medium conventional £ billion	65.4				65.4 22.1%
Long conventional £ billion	66.3	16.5			82.8 28.0%
Index-linked £ billion	19.2	13.5			32.7 11.1%
Unallocated £ billion				28.0	28.0 9.5%
Total £ billion	237.9	30.0	0.0	28.0	295.9
Total per cent	80.4%	10.1%	0.0%	9.5%	
<i>Figures may not sum due to rounding</i>					

Annex B. Planned gilt auction calendar dates 2021-22⁴

Date	Gilt Type	Date	Gilt Type
07 April 2021	Conventional	05 October 2021	Conventional
08 April 2021	Conventional	06 October 2021	Conventional
13 April 2021	Conventional	12 October 2021	Conventional
14 April 2021	Index-linked	19 October 2021	Conventional
20 April 2021	Conventional	20 October 2021	Conventional
21 April 2021	Conventional	02 November 2021	Conventional
28 April 2021	Index-linked	03 November 2021	Conventional
05 May 2021	Conventional	09 November 2021	Conventional
11 May 2021	Conventional	10 November 2021	Index-linked
18 May 2021	Conventional	16 November 2021	Conventional
19 May 2021	Conventional	17 November 2021	Conventional
02 June 2021	Conventional	24 November 2021	Index-linked
08 June 2021	Conventional	01 December 2021	Conventional
09 June 2021	Index-linked	02 December 2021	Conventional
15 June 2021	Conventional	07 December 2021	Conventional
16 June 2021	Conventional	08 December 2021	Index-linked
23 June 2021	Index-linked	14 December 2021	Conventional
01 July 2021	Conventional	15 December 2021	Conventional
06 July 2021	Conventional	05 January 2022	Conventional
07 July 2021	Index-linked	11 January 2022	Conventional
13 July 2021	Conventional	12 January 2022	Index-linked
27 July 2021	Conventional	18 January 2022	Conventional
03 August 2021	Conventional	19 January 2022	Conventional
04 August 2021	Conventional	25 January 2022	Conventional
10 August 2021	Conventional	26 January 2022	Index-linked
11 August 2021	Index-linked	01 February 2022	Conventional
17 August 2021	Conventional	02 February 2022	Conventional
18 August 2021	Conventional	08 February 2022	Conventional
24 August 2021	Conventional	09 February 2022	Conventional
25 August 2021	Index-linked	15 February 2022	Conventional
01 September 2021	Conventional	16 February 2022	Conventional
07 September 2021	Conventional	01 March 2022	Conventional
08 September 2021	Index-linked	02 March 2022	Conventional
14 September 2021	Conventional	08 March 2022	Conventional
15 September 2021	Conventional	09 March 2022	Conventional
22 September 2021	Index-linked	15 March 2022	Conventional
28 September 2021	Conventional	16 March 2022	Conventional
		22 March 2022	Conventional
		23 March 2022	Index-linked

⁴ There are planned to be two auctions on some of these dates, the details of which will be confirmed in the quarterly issuance calendar announcements.

Annex C. Financing arithmetic 2020-21 and 2021-22

	2020-21	2021-22
CGNCR (ex NRAM, B&B and NR) ¹	369.7	240.4
Gilt redemptions	97.6	79.3
Financing adjustment carried forward from previous financial years ²	18.4	-16.0
Gross Financing Requirement	485.7	303.7
<i>Less:</i>		
NS&I net financing	20.0	6.0
Other financing items ³	0.0	0.0
Net Financing Requirement (NFR) for the DMO	465.7	297.7
DMO's NFR will be financed through:		
Gilt sales, through sales of:		
- Short conventional gilts	167.9	87.0
- Medium conventional gilts	149.6	65.4
- Long conventional gilts	134.9	82.8
- Index-linked gilts	33.2	32.7
- Unallocated amount of gilts (including future green gilt sales) ⁴	0.0	28.0
Total gilt sales for debt financing	485.5	295.9
Total net contribution of Treasury bills for debt financing	-2.0	1.8
Total financing	483.5	297.7
DMO net cash position	18.3	2.3
<i>Figures may not sum due to rounding</i>		
¹ Central Government Net Cash Requirement (excluding NRAM Ltd., Bradford & Bingley (B&B) and Network Rail (NR)).		
² The £18.4 billion financing adjustment in 2020-21 carried forward from previous years reflects the 2019-20 outturn for the CGNCR ex, as first published on 23 April 2020. The -£16.0 billion financing adjustment in 2021-22 also reflects an increase of £1.8 billion in the planned DMO end-financial year net cash position to £2.3 billion. The increase is to be financed by the £1.8 billion net contribution by Treasury bills to debt financing in 2021-22.		
³ Prior to the publication of the end-year outturn in April each year, this financing item will mainly comprise estimated revenue from coinage.		
⁴ In 2021-22 the unallocated portion will be used additionally to account for the issuance of green gilts. Once an additional green gilt offering has been executed, the proceeds from the transaction (and any future transactions) will be reported separately in the financing arithmetic table for 2021-22.		

Annex D: Illustrative gross financing projections to 2025-26

£ billion	2022-23	2023-24	2024-25	2025-26
CGNCR (ex NRAM, B&B and NR)	127.9	109.7	99.7	88.1
Gilt redemptions	107.1	104.5	104.4	126.1
Illustrative gross financing requirement (IGFR)	235.0	214.1	204.1	214.2
<i>Figures may not sum due to rounding</i>				

The table above shows annual illustrative gross financing projections from 2022-23 to 2025-26 using the OBR's updated projections of the CGNCR (ex NRAM, B&B and NR), together with the latest estimate of gilt redemptions in these years. These are not forecasts of future gilt sales. Rather, they are a broad indication of future gilt sales on the assumption that Treasury bills and NS&I both make zero net contributions to financing.