

DMO FINANCING REMIT 2022-23

1. The DMO's financing remit for 2022-23 has been published today alongside Spring Statement 2022. The main points, including operational aspects, are summarised below.

DMO's Net Financing Requirement

2. The Net Financing Requirement (NFR) for the DMO in 2022-23 is forecast to be £147.9 billion; this will be financed by gilt sales of £124.7 billion (including planned green gilt sales of £10.0 billion) and net Treasury bill sales for debt management purposes of £23.2 billion.

Gilt sales

3. Planned gross gilt sales of £124.7 billion will be met through a combination of:
- a. £96.7 billion of issuance (77.6% of total sales) in 43 auctions, with a planned split as follows¹:

○ Short conventional	£37.1 billion in 11 auctions
○ Medium conventional (including green)	£26.5 billion in 10 auctions
○ Long conventional (including green)	£22.5 billion in 13 auctions
○ Index-linked	£10.6 billion in 9 auctions
 - b. A current plan for approximately £21.0 billion (16.8% of total sales) in five syndications to be raised via:

○ Approximately £13.0 billion of long conventional gilts in three transactions; and
○ Approximately £8.0 billion of index-linked gilts in two transactions.
 - c. £7.0 billion (5.6% of total sales) from an initially unallocated portion of issuance, which can be used to issue any type or maturity of conventional (excluding green) gilt 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.
4. 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 2022-23, both the split of issuance and the mix of distribution methods used to deliver it may vary during the year.
- 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

¹ Figures may not sum due to rounding.

overall split of issuance by the end of the financial year may depart from the initial plans published in this remit at Spring Statement 2022.

- 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 size(s) of (a) syndicated offering(s) and/or the scheduling of (a) gilt tender(s).

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 10). However, changes may also be announced at other times, including following individual syndicated offerings.

Green gilt issuance

7. Green gilt issuance of £10.0 billion (cash) is planned in 2022-23. It is currently expected that one green gilt transaction will be scheduled each quarter, with sales focussing on re-openings of existing medium and long maturities.

The gilt auction programme

8. The planned gilt auction calendar in 2022-23 is set out in Annex B. The DMO will size gilt auctions on a case-by-case basis taking into account the type and maturity of gilt to be sold and prevailing market conditions.

Changes to the planned gilt auction calendar

9. The DMO's general intention will be to implement the planned auction calendar as published alongside Spring Statement 2022, whilst recognising the importance of allowing, through in-year adjustments to the calendar, scope to respond appropriately to unforeseen or changing circumstances. 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.

10. 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

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

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

13. The DMO's initial planning assumption is that it will hold five syndicated offerings (three of conventional gilts and two of index-linked gilts) in 2022-23. The DMO will provide 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.

14. 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 any case 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).

15. 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

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

17. 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.

18. Gilt tenders may be used to issue any type and maturity of gilt² and may be scheduled ad hoc or as part of a programme.

19. 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.

² It is not currently expected that green gilts will be issued via gilt tenders.

Post Auction Option Facility (PAOF)

20. In 2022-23 the DMO will continue to offer successful auction bidders (both primary dealers and gilt investors) an option to purchase additional stock via the PAOF³. Full details are set out in section 2.6 of the gilt market Operational Notice⁴.

21. Any amounts sold via the PAOF in 2022-23 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. The DMO will typically announce the details of any such transfers in the quarterly issuance calendar announcements.

22. 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

23. In the March Budget 2021 it was anticipated that net Treasury bill sales would make a £1.8 billion net contribution towards meeting the NFR in 2021-22; this was adjusted to a negative contribution of -£23.2 billion at the remit adjustment at Autumn Budget on 27 October 2021, implying a stock of Treasury bills for debt management purposes at end-March 2022 of £36.8 billion.

24. The outturn amount that net Treasury bill issuance has contributed to debt financing in 2021-22 will be reported by the DMO in April 2022.

25. It is currently anticipated that net Treasury bill issuance for debt management purposes will make a net contribution of £23.2 billion towards meeting the NFR in 2022-23, implying a stock of Treasury bills for debt management purposes at end-March 2023 of £60.0 billion. Any changes to this plan would be announced as part of any future revision to the 2022-23 remit. The outturn net contribution of Treasury bills to debt financing in 2022-23 will be reported by the DMO in April 2023.

Exchequer cash management

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

³ The PAOF will not be available at auctions of green gilts.

⁴ <https://www.dmo.gov.uk/media/17702/opnot200921.pdf>

Changes to the financing requirement

27. The Debt Management Report (DMR) 2022-23 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 2021-22 and 2022-23 of £109.2 billion and £94.3 billion respectively. The new forecast for 2021-22 is £48.3 billion lower than the forecast published at the remit revision on 27 October 2021, whilst the forecast for 2022-23 is £13.6 billion lower⁵.

28. The other changes impacting on the DMO's NFR in 2021-22 since the remit revision on 27 October 2021 are:

- a forecast £1.7 billion lower net contribution to financing from NS&I (taking their forecast net contribution to £4.3 billion);
- a forecast £0.3 billion higher contribution from other financing items; and
- an outturn for gilt sales in 2021-22 of £194.7 billion, £0.1 billion lower than the remit plan.

29. The projected level of the DMO's net cash balance at the Bank of England at 31 March 2022 is £49.1 billion, £46.8 billion higher than that projected at the October 2021 remit revision. This will be reduced to the planned level of £2.3 billion as shown by the financing adjustment of -£46.8 billion carried forward from previous financial years in the financing arithmetic table below, and this will reduce the NFR in 2022-23 accordingly.

Supplementary Information

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

31. The planned gilt auction calendar for 2022-23 is published at Annex B.

32. The financing arithmetic for 2021-22 and 2022-23 is published at Annex C.

33. Illustrative gross financing projections from 2023-24 to 2026-27 are published at Annex D.

⁵ Figures may not sum due to rounding.

Annex A. Initially planned split of gilt issuance by type, maturity and issuance method in 2022-23

	Auction	Syndication	Gilt tender	Unallocated	Total
Short conventional £ billion	37.1				37.1 29.8%
Medium conventional¹ £ billion	26.5				26.5 21.2%
Long conventional² £ billion	22.5	13.0			35.5 28.5%
Index-linked £ billion	10.6	8.0			18.6 14.9%
Unallocated £ billion				7.0	7.0 5.6%
Total £ billion	96.7	21.0	0.0	7.0	124.7
Total per cent	77.6%	16.8%	0.0%	5.6%	
<i>Figures may not sum due to rounding.</i>					
¹ Including green gilt sales.					
² Including green gilt sales.					

Annex B. Planned gilt auction calendar 2022-23

Date	Gilt type
5 April 2022	0 ³ / ₈ % Treasury Gilt 2026
12 April 2022	1% Treasury Gilt 2032
20 April 2022	Conventional
10 May 2022	Conventional
11 May 2022	Conventional
17 May 2022	Conventional
24 May 2022	Index-linked
7 June 2022	Conventional
8 June 2022	Conventional
28 June 2022	Index-linked
12 July 2022	Conventional
19 July 2022	Conventional
21 July 2022	Conventional
27 July 2022	Index-linked
9 August 2022	Conventional
16 August 2022	Conventional
1 September 2022	Conventional
6 September 2022	Conventional
7 September 2022	Conventional
20 September 2022	Conventional
27 September 2022	Index-linked
12 October 2022	Conventional
18 October 2022	Conventional
25 October 2022	Index-linked
8 November 2022	Conventional
15 November 2022	Conventional
1 December 2022	Conventional
6 December 2022	Conventional
7 December 2022	Index-linked
13 December 2022	Conventional
5 January 2023	Conventional
10 January 2023	Conventional
17 January 2023	Conventional
24 January 2023	Index-linked
1 February 2023	Conventional
7 February 2023	Conventional
14 February 2023	Conventional
21 February 2023	Conventional
1 March 2023	Index-linked
7 March 2023	Conventional
14 March 2023	Conventional
21 March 2023	Conventional
28 March 2023	Index-linked

Annex C. Financing arithmetic 2021-22 and 2022-23

Financing arithmetic Spring Forecast 2022 (£billions)	2021-22	2022-23
CGNCR (ex NRAM, B&B and NR) ¹	109.2	94.3
Gilt redemptions	79.3	107.1
Financing adjustment carried forward from previous financial years ²	-58.8	-46.8
Gross Financing Requirement	129.7	154.6
Less:		
NS&I net financing	4.0	6.0
NS&I Green Savings Bonds	0.3	-
Sale of UK sovereign Sukuk	0.5	n.a.
Other financing ³	0.3	0.7
Net Financing Requirement (NFR) for the DMO	124.6	147.9
DMO's NFR will be financed through:		
Gilt sales, through sales of:		
- Short conventional gilts	52.7	37.1
- Medium conventional gilts (including green gilts) ⁴	55.2	26.5
- Long conventional gilts (including green gilts) ⁵	60.4	35.5
- Index-linked gilts	26.3	18.6
- Unallocated amount of gilts	0.0	7.0
Total gilt sales for debt financing	194.7	124.7
Total net contribution of Treasury bills for debt financing	-23.2	23.2
Total financing	171.5	147.9
DMO net cash position	49.1	2.3
<i>Figures may not sum due to rounding.</i>		
¹ Central Government Net Cash Requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail).		
² The -£58.8 billion financing adjustment in 2021-22 carried forward from previous years reflects the 2020-21 outturn for the CGNCR (ex NRAM, B&B, and NR), as first published on 23 April 2021. The -£48.6 billion financing adjustment in 2022-23 is the amount required to reduce the estimated DMO cash position at end-March 2023 to £2.3 billion.		
³ This financing item is typically comprised of estimated income from coinage and unhedged reserves.		
⁴ Including green gilt sales of £10.0 billion in 2021-22 and planned green gilt sales in 2022-23.		
⁵ Including green gilt sales of £6.1 billion in 2021-22 and planned green gilt sales in 2022-23.		

Annex D: Illustrative gross financing projections to 2026-27

£ billion	2023-24	2024-25	2025-26	2026-27
CGNCR (ex NRAM, B&B and NR)	74.4	66.6	55.8	43.1
Gilt redemptions	117.0	121.1	126.2	69.4
Illustrative gross financing requirement (IGFR)	191.3	187.6	182.0	112.5
<i>Figures may not sum due to rounding.</i>				

The table above shows annual illustrative gross financing projections from 2023-24 to 2026-27 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.