Provisional debt management report 2009-10

March 2009

HM TREASURY

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All enquiries about this document should be addressed to:

HM Treasury

Peter Symons
Debt and Reserves Management Team
Floor 3/E2
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
Email: peter.symons@hm-treasury.x.gsi.gov.uk
Tel: +44 (0)20 7270 5329

UK Debt Management Office

Tim Riddington/Gurminder Bhachu
UK Debt Management Office
Eastcheap Court
11 Philpot Lane
London
EC3M 8UD
Email: tim.riddington@dmo.gsi.gov.uk
Tel: +44 (0)20 7862 6623
Email: gurminder.bhachu@dmo.gsi.gov.uk
Tel: +44 (0)20 7862 6512

HM Treasury contacts

This document can be found in full on our website at:

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If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 4558
Fax: 020 7270 4861
E-mail: public.enquiries@hm-treasury.gov.uk

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1 Introduction

1.1 This is the sixteenth report outlining the Government's debt management activities.

1.2 The Debt and reserves management report is usually published on the day that the Chancellor of the Exchequer announces the Budget. However, the *Code for Fiscal Stability*[1] ('the Code') requires that a debt management report be published every financial year covering the following areas:

- the overall size of the gilt issuance programme for the coming financial year;
- the planned maturity structure and the proportion of index-linked and conventional gilts;
- the gilt auction calendar; and
- a forecast of net financing through National Savings & Investments (NS&I).

1.3 Therefore, HM Treasury has decided to publish a provisional debt management report in advance of the Budget in order to comply with the Code.

1.4 This Provisional debt management report includes a financing remit using the forecast Central Government Net Cash Requirement (CGNCR) for 2009-10 as published in the 2008 Pre-Budget Report on 24 November 2008. The provisional financing arithmetic for 2009-10 has not been revised since the 2008 Pre-Budget Report and will be revised in Budget 2009. In line with the updated financing arithmetic, a new remit will be presented in the *Debt and reserves management report* 2009-10 to be published in Budget 2009.

1.5 On 17 December 2008 the DMO announced that it would commence a consultation on supplementary methods for distributing gilts to support the gilt auction programme. The consultation closed on 28 January 2009. The DMO's response to its consultation, *Supplementary methods for distributing gilts: response to consultation,* has been published on 18 March 2009 and is available on the DMO's website[2].

[1] The Code for Fiscal Stability can be found on HM Treasury's website at: http://www.hm-treasury.gov.uk/documents/uk_economy/fiscal_policy/ukecon_fisc_code98.cfm

[2] *Supplementary methods for distributing gilts: response to consultation*, 18 March 2009, can be found on the DMO's website: http://www.dmo.gov.uk

2 Size and structure of UK Government debt in 2008-09

Debt stock

2.1 The total nominal outstanding stock of United Kingdom central government marketable sterling debt (including official holdings by central government[3]) was £765.4 billion at end-December 2008. This debt comprised £472.3 billion of conventional gilts, £164.3 billion of index-linked gilts (including accrued inflation uplift) and £39.8 billion of Treasury bills (see Table 2.A). In addition, there was £89.0 billion invested in NS&I's (non-marketable) instruments.

Table 2.A: Composition of UK Central Government marketable sterling debt

	End-March 2008	End December 2008
(£ billion, normal value including official holdings)		
Conventional Gilts[1]	337.3	472.3
Index linked gilts[2]	141.5	164.3
Treasury bills[3]	17.6	39.8
Total gilts and Treasury bills	496.4	676.4
National Savings & Investments	78.9	89.0
Total central government sterling debt	575.3	765.4

1 Includes undated gilts

2 Includes accrued inflation uplift

3 Treasury bill stock issued into market hands

Source: Debt Management Office / National Savings & Investments

Maturity and duration

2.2 The average maturity of the stock of all dated marketable gilts fell from 14.8 years to 14.5 years between end-March 2008 and end-December 2008. Over the same period, the modified duration[4] of the conventional portfolio of marketable gilts fell from 9.0 years to 8.8 years. The maturity and duration of the UK Government's marketable domestic debt continues to be amongst the longest compared with other OECD countries[5].

2.3 Chart 2.A shows a comparison of the Government's debt portfolio at end-March 2007 through to a projected composition at end-March 2010 based on the provisional remit set out

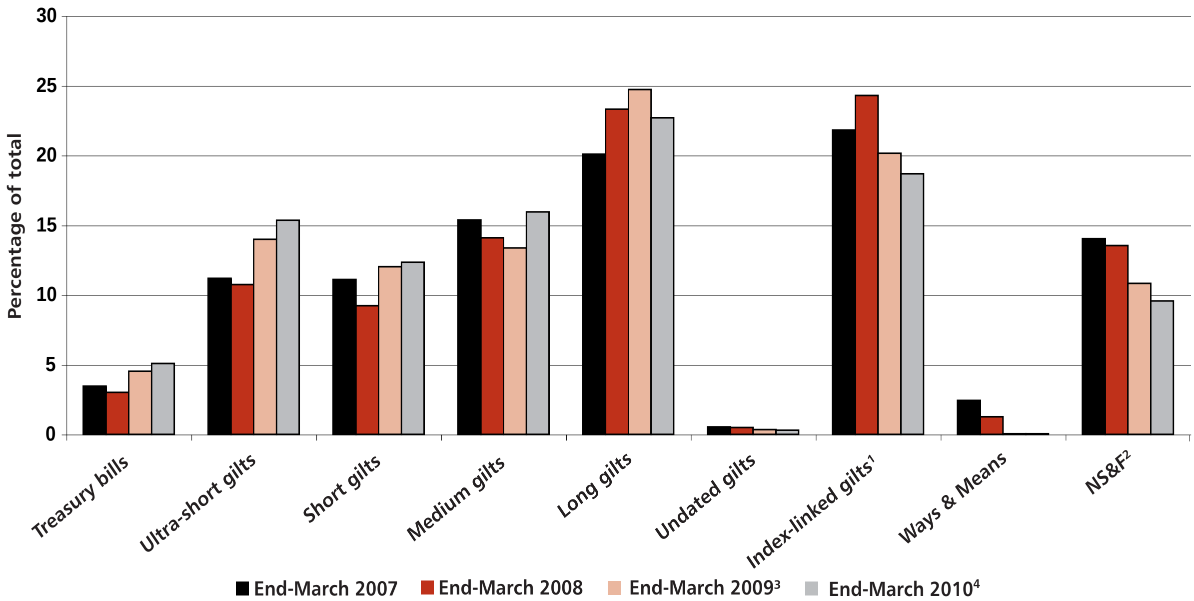
[3] These were £21 billion at end-March 2008 and £80 billion at end-December 2008.

[4] Modified duration is a measure of the sensitivity of the value of assets or liabilities to interest rate movements. Other things equal, longer duration suggests a greater degree of sensitivity to small interest rates changes.

[5] According to the OECD yearbook 2008, comparable maturities were: France 7.1 years, Italy 6.9 years, Germany 6.5 years, Japan 5.7 years and the USA 4.7 years.

in Chapters 4 and 5. It assumes that new debt is issued in accordance with the DMO's and NS&I's provisional financing remits. It also takes into account the ageing of existing debt.

Chart 2.A: The composition of UK central government sterling debt



Source: National Debt Management Office / National Savings and Investment

1 Includes inflation uplift

2.Includes accrued interest

3. Forecast in 2008 Pre-Budget Report

4. Forecast in 2008 Pre-Budget Report

Interest payments

2.4 Gross central government debt interest payments in 2007-08 were £30.0 billion, equivalent to 5.1 per cent of total managed expenditure (TME). In 2008-09 and 2009-10, they are forecast to be £30.8 billion (4.9 per cent of TME) and £26.6 billion (4.1 per cent of TME) respectively. These are 2008 Pre-Budget Report forecasts and will be revised in Budget 2009.

Gilt issuance and the gilt market

2.5 The DMO was established as part of the Government's reforms to the macroeconomic framework announced in 1997. The DMO took over responsibility for the issuance of gilts from the Bank of England in April 1998. As forecast at the 2008 Pre-Budget Report, gross gilt issuance in 2008-09 is expected to be £146.4 billion, around £88 billion more than in 2007-08[6].

2.6 The Central Government Net Cash Requirement (CGNCR) measures the cash amount that central government needs to borrow for the financial year and is the key fiscal measure from which the volume of gilt issuance is derived. The CGNCR for each of the years in which the DMO has been responsible for gilt issuance and the volume of gilt sales in each of those years is shown in Table 2.B.

[6] Figures are in cash terms unless otherwise stated.

Table 2.B: Central Government Net Cash Requirement and gross gilt sales 1998-99 to 2008-09

Financial year	CGNCR (£ billion)	Gross gilt sales (£ billion)
1998-99	-4.5	8.2
1999-00	-9.1	14.4
2000-01[1]	-35.6	10.0
2001-02	2.8	13.7
2002-03	21.8	26.3
2003-04	39.4	49.9
2004-05	38.5	50.1
2005-06	40.8	52.3
2006-07	37.1	62.5
2007-08	32.6	58.5
2008-09[2]	152.9	146.4

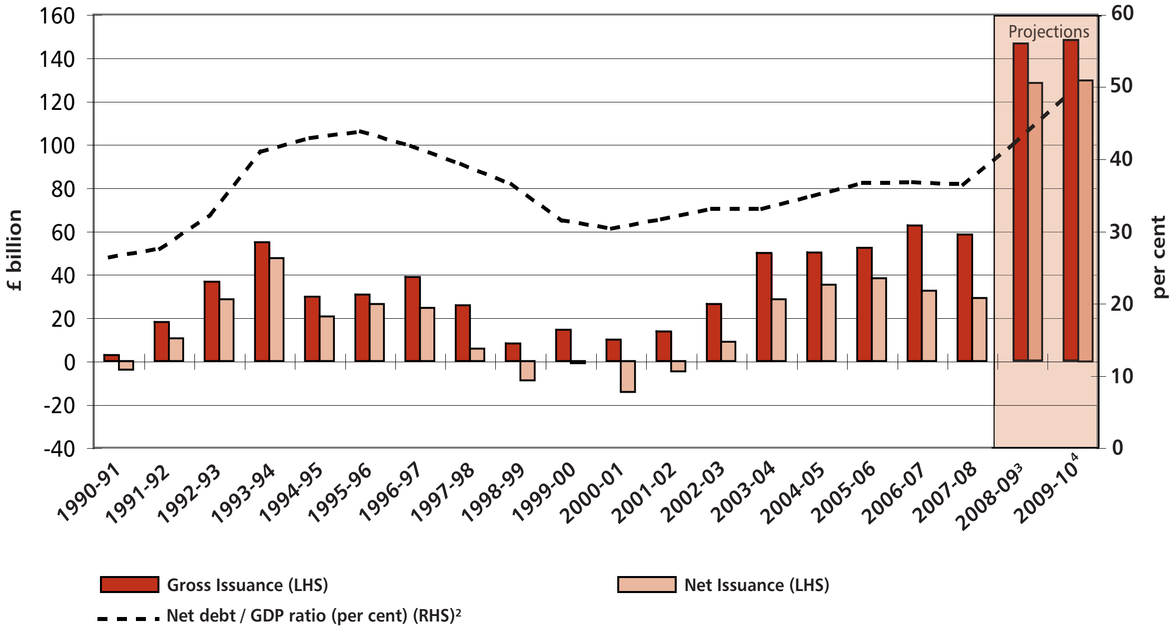
1 Reflecting the proceeds from the 3G Spectrum auction

2 CGNCR forecast at 2008 Pre-Budget Report

Source: HM Treasury / Debt Management Office

2.7 In the first years of the DMO's operations, the size of the gilt market shrank, as net issuance was negative (i.e. gross issuance was exceeded by gilt redemptions). However, net issuance turned positive in 2002-03 as the financing requirement began to rise. Net issuance is expected to be £128.1 billion in 2008-09 and £129.8 billion in 2009-10. These are 2008 Pre-Budget Report forecasts and will be revised in Budget 2009. Chart 2.B shows the trend in gross and net issuance since 1990-91 with projections to 2009-10.

Chart 2.B: Gross and net gilt issuance 1990-91 to 2009-10[1]



Source: HM Treasury/Debt Management Office

1 Gross and net gilt insurance are outturns up to and including 2007-08

2 Net debt/GDP ratio is an estimate

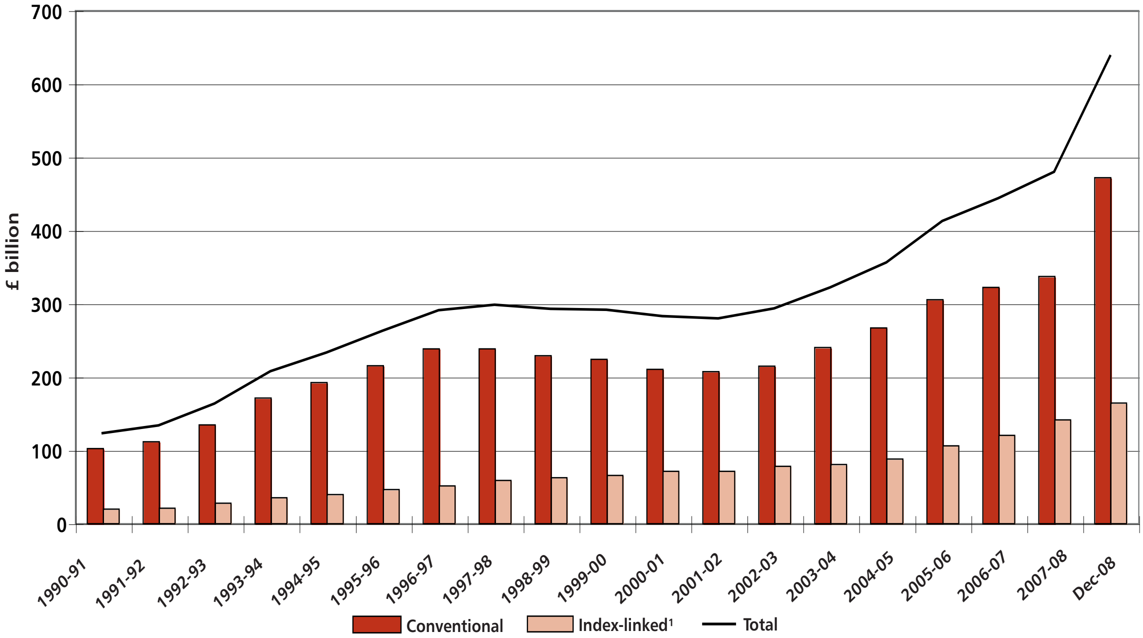
3. Forecast in 2008 Pre-Budget Report

4. Forecast in 2008 Pre-Budget Report

2.8 The size of the gilt market reflects these trends: in March 2002 the nominal value of the gilt market (including accrued inflation uplift) was £278.8 billion but by end-December 2008 it had reached £636.6 billion (nominal) – an increase of 128 per cent[7]. Chart 2.C shows the change in the size of the gilt market since 1990-91.

[7] Excluding official holdings, the total of gilts in market hands grew from £271.8 billion in March 2002 to £556.6 billion in December 2008 (an increase of 105 per cent).

Chart 2.C: Size of the gilt market since 1990-91 (including government holdings)



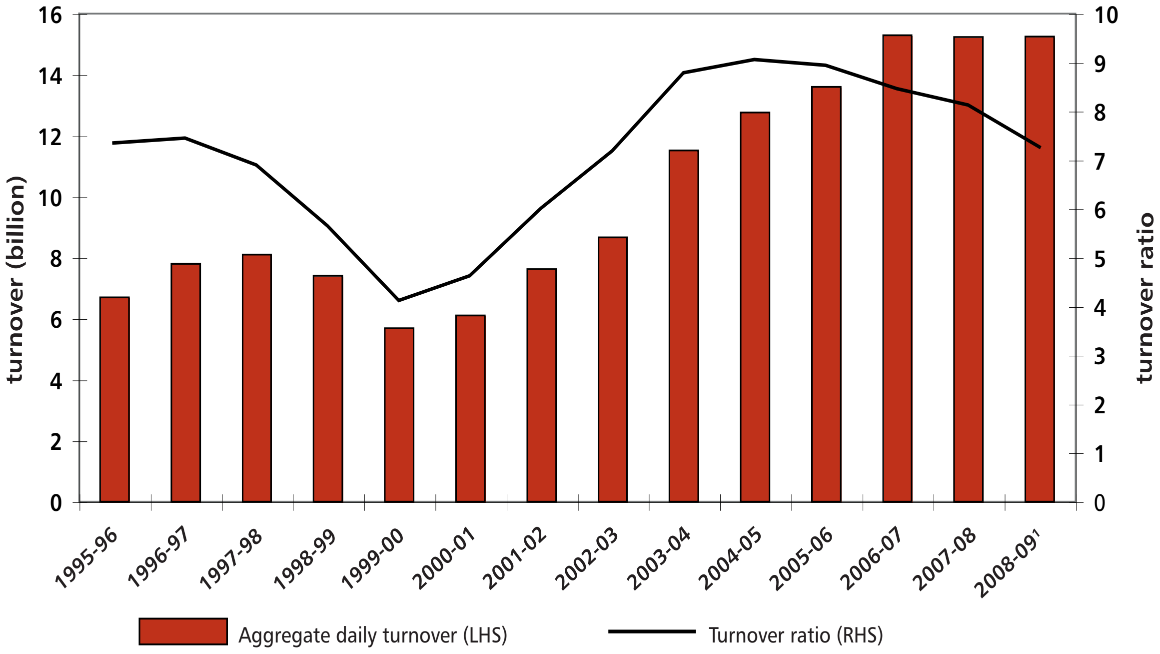
Source: Debt Management Office

1 Includes indexation uplift

2.9 Turnover[8] in the gilt market rose steadily from 1999-00 to 2006-07. Average daily turnover increased by 168 per cent between 1999-00 and 2006-07 (from £5.7 billion to £15.3 billion). From 2007-08 to end-February 2009, this trend has abated, with aggregate daily turnover constant at £15.3 billion, perhaps reflecting the ongoing disruption in the financial markets since summer 2007. The turnover ratio has fallen for a fourth consecutive year so far in 2008-09 (to 7.3) largely as a result of the marked increase in the size of the underlying portfolio. Chart 2.D shows these trends.

[8] Turnover is a measure of the level of trading activity in the secondary market. The turnover ratio is aggregate turnover relative to the market value of the portfolio at the start of the year.

Chart 2.D: Gilt market turnover



Source: Debt Management Office

1 Financial year to end-January 2009l

3 UK Government's debt management policy

Objectives of debt management

3.1 The Government's debt management objective is:

"to minimise, over the long term, the costs of meeting the Government's financing needs, taking into account risk, whilst ensuring that debt management policy is consistent with the aims of monetary policy".

3.2 The debt management policy objective is achieved by:

- pursuing an issuance policy that is open, transparent and predictable;
- issuing gilts that achieve a benchmark premium;
- adjusting the maturity and nature of the Government's debt portfolio, primarily by means of the maturity and composition of debt issuance and potentially by other market operations including switch auctions, conversion offers and buy-backs;
- developing a liquid and efficient gilt market; and
- offering cost-effective savings instruments to the retail sector through NS&I.

3.3 HM Treasury has overall responsibility for meeting the debt management policy objective but has delegated operational responsibility for debt management to its agents: the DMO undertakes borrowing in sterling through issuance of government bonds and short-term debt instruments in the wholesale market; NS&I undertakes retail borrowing through sales of retail savings products; and the Bank of England undertakes borrowing in foreign currencies through issuance of foreign currency denominated government bonds.

The role of the Debt Management Office

3.4 HM Treasury has two overarching requirements for the DMO in the conduct of its delegated responsibility for wholesale debt financing operations, namely, that it:

- raises the quantum of financing set out in its annual financing remit. This means that the DMO is expected to achieve the sale of inflation-linked ("index-linked") and nominal ("conventional") gilts and Treasury bills within the operational tolerances specified in the financing and Exchequer cash management remits respectively; and
- conducts its operations in accordance with the principles of openness, predictability and transparency, which underpin the Government's approach to debt management policy more generally. The Government judges that by conducting its operations in accordance with these principles, the DMO will effectively contribute to achieving long-term cost minimisation subject to risk.

3.5 In practice, this means that HM Treasury expects the DMO to:

- *adopt a predictable approach to debt issuance*, which includes publishing an annual gilt auction calendar before the beginning of each financial year and holding auctions in accordance with its remit;
- *pre-announce the details of its debt issuance plans* to the market to ensure transparency about its activities; and
- *act in a manner consistent with its remit* and explain the basis for its decisions about gilt issuance as fully as possible to the market in order to allow market participants better to understand the rationale behind the DMO's decisions.

3.6 In addition, HM Treasury expects the DMO to:

- *provide advice* in its capacity as the Government's official presence in the gilt market on: (i) the appropriate structure and contents for the financing remit in preparation for publication of the remit each year in the Budget; and (ii) how to accommodate revisions to the remit during the course of the year;
- *report during the financial year on progress against the remit*, in particular, progress of gilt sales against the remit targets;
- *monitor developments in the gilt market and the wider economy* and report in a timely manner on changing conditions that might require the terms of the remit to be revisited;
- *maintain open channels of communication with market participants* both formally and informally to solicit their views on gilt issuance and other issues affecting the remit and, as far as possible, to explain the rationale for decisions;
- *advise on any operation to manage the maturity and nature of the Government's debt portfolio and conduct any such operation if so directed by HM Treasury*, through gilt issuance decisions and through use of other market management techniques;
- *develop a liquid and efficient gilt market* primarily through regular issuance of benchmark gilts;
- *provide advice on the introduction of any new financing instrument or debt management technique* as deemed appropriate to fulfil the Government's debt management objective; and
- *ensure the continuing and efficient functioning of the gilt market* by undertaking market management operations as necessary.

3.7 This approach to debt management policy, based on principles of openness, predictability and transparency, is recognised internationally as the most effective way to minimise the long-term costs of debt management, although there is no recognised way to measure quantitatively whether long-term costs are minimised through this approach[9]. In order to demonstrate that the DMO is taking decisions aimed at fulfilling the objective of long-term cost minimisation subject to risk, HM Treasury expects the DMO to explain publicly, in its Annual Review, the key factors that motivated its decisions on implementation of the remit during the course of the previous financial year. Quantitative reporting of aspects of the DMO's performance is also undertaken

[9] The key ways in which the DMO seeks to achieve transparency and predictability in its operations are outlined in Box 3.1, *Debt and reserves management report* 2007-08.

against a range of measures and indicators wherever that is possible. A number of these measures are set out in the DMO's annual published Business Plan[10].

Maturity and composition of debt issuance

3.8 In order to determine the maturity and composition of debt issuance, the Government needs to take account of a number of factors including:

- investors' demand for gilts;
- the Government's own appetite for risk, both nominal and real;
- the shape of both the nominal and real yield curves and the expected effect of issuance policy; and
- changes to the stock of Treasury bills and other short-term instruments.

Medium-term approach to debt issuance

3.9 In the medium term, consistent with the debt management policy objective of minimising long-term costs taking into account risk, the Government's annual decisions about gilt issuance will continue to be informed by a number of factors including: the size of the annual financing requirement; supply-side considerations including the Government's risk preferences; investors' demand for gilts; the shape of the yield curve; and other financial market conditions. It is likely that strong demand for long-dated conventional and index-linked gilts will persist in the medium term and continue to influence the shape of the yield curve.

3.10 Table 3.A shows gilt issuance by maturity since 2003-04.

Table 3.A: Gilt issuance by maturity 2003-04 to 2008-09[1]

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09[2]
£ billion						
Conventional gilts:						
Short maturity	18.8	17.6	12.2	10.1	10.1	62.8
Medium maturity	13.1	10.1	11.4	9.9	10.0	33.1
Long maturity	11.4	14.5	17.9	25.2	23.4	30.5
Index-linked gilts	6.5	8.0	10.8	17.2	15.0	20.0
Total	49.8	50.2	52.3	62.5	58.5	146.4

1 Totals may not sum due to rounding

2 Forecast at 2008 Pre-Budget Report

Source: Debt Management Office

[10] The DMO's latest Business Plan for 2008-09 is available on the DMO's website at: http://www.dmo.gov.uk/documentview.aspx?docname=publications/corpgovernance/busplan2008.pdf&page=corporate_governance/Documents

4 UK Government's provisional financing programme for 2009-10

Financing framework

4.1 The Government intends to continue to finance the Central Government Net Cash Requirement (CGNCR) using the framework that was established in the 1995 Debt Management Review. The Government aims to finance its net cash requirement plus maturing debt and any financing required for additional net foreign currency reserves through the issuance of debt. All such debt issuance will take place within a set maturity structure. Auctions remain the preferred means of issuance for all gilts. In addition, the Government may hold conversion offers, switch auctions, reverse auctions of non-benchmark gilts and syndicated offerings of gilts. The DMO has published, on 18 March 2009, its response to its consultation on supplementary methods for distributing gilts[11].

Provisional financing arithmetic

4.2 This Provisional debt management report includes a financing remit using the forecast CGNCR for 2009-10 as published in the 2008 Pre-Budget Report on 24 November 2008[12]. The provisional financing arithmetic for 2009-10 has not been revised since the 2008 Pre-Budget Report and will be revised in Budget 2009. In line with the updated financing arithmetic, a new remit will be presented in the *Debt and reserves management report* 2009-10 to be published in Budget 2009.

4.3 The forecast in the 2008 Pre-Budget Report for the CGNCR in 2009-10 is £126.0 billion. The provisional forecast net financing requirement of £144.1 billion includes expected gilt redemptions of £18.1 billion.

4.4 Table 4.A gives details of the provisional financing arithmetic for 2009-10. It shows the proposed debt instruments that the Government intends to use to meet its provisional financing requirement in 2009-10.

4.5 The new financing arithmetic will be presented in the *Debt and reserves management report* 2009-10 to be published in Budget 2009 on 22 April 2009. Therefore, it should not be assumed that the gilt issuance split set out in Table 4.A will necessarily be maintained in the light of the updated financing arithmetic published in Budget 2009.

4.6 National Savings and Investment's (NS&I's) assumption for the provisional net contribution to financing in 2009-10 is expected to be £0 billion. This forecast is not a target, but an estimate based on experience in previous years and NS&I's own forecasts and objectives. Conditions in the financial and retail savings markets have meant that the outcomes for the first two years of NS&I's 'Adding Value' strategy have exceeded expectations. NS&I's focus in 2009-10 is to deliver the Government's requirements for net financing, continue to offer a fair rate of interest to customers and promote financial stability in terms of maintaining an appropriate and

[11] *Supplementary methods for distributing gilts: response to consultation*, 18 March 2009 can be found on the DMO's website: http://www.dmo.gov.uk

[12] There has however been a small increase in redemptions of £1 billion since the 2008 Pre-Budget Report.

competitive position. The net contribution to financing from NS&I will be confirmed in the *Debt and reserves management report* 2009-10 to be published in Budget 2009 on 22 April 2009.

Table 4.A: Provisional financing arithmetic

			£ billion
Central Government Net Cash Requirement			126.0
Gilt redemptions			18.1
Financing for the Official Reserves			0.0
Buy Backs[1]			0.0
Planned short-term financing adjustment[2]			0.0
Gross financing requirement			144.1
less:			
National Savings & Investments			0.0
Net Financing requirement			144.1
Financed by:			
1. Debt Issuance by the Debt Management Office			
a) Treasury bills			0.0
b) Gilts			147.9
of which:			
	Conventional	short	63.6
		medium	32.5
		long	31.1
	Index-linked		20.7
2. Other planned changes in short term cash debt[3]			
Changes in Ways & Means[4]			-3.8
3. Unanticipated changes in net short-term cash position[5]			0.0
Total financing			144.1
Short-term debt levels at end of financial year			
Treasury bill stock[6]			32.1
Ways & Means			0.4
DMO net cash position			0.5

Figures may not sum due to rounding

1.Purchases of "rump gilts" which are older, smaller gilts, declared as such by the DMO and in which Gilt-edged Market Makers (GEMMs) are not required to make two way markets. The Government will not sell further amounts of such gilts to the market but the DMO is prepared, when asked by a GEMM, to make a price to purchase such gilts.

2. To accommodate changes to the current year's financing requirement resulting from: (i) publication of the previous year's outturn CGNCR and/or (ii) carry over of unanticipated changes to a cash position from the previous year

3. Total planned changes to short-term debt are the sum of: (i) the planned short-term financing adjustment (ii) Treasury bill sales; and (iii) changes to the level of the Ways & Means Advance

4. This number reflects the Governments decision to repay £3.8 billion of the remaining Ways and Means Advance in 2009-10.

5. A negative (positive) number indicates an addition to (reduction in) the financing requirement for the financial year.

6. The DMO has operational flexibility to vary the end-financial year stock subject to its operational requirements from 2008-09.

Provisional financing for the Official Reserves

4.7 If the Government judges that there is a value-for-money case for doing so, consideration would be given to issuing foreign currency securities to finance the borrowed reserves in 2009-10. Any decisions will be taken on the basis of the least cost comparison.

4.8 If foreign currency bonds are issued in place of any swapped sterling liabilities to finance the Official Reserves then the net sterling financing requirement will decline by the sterling value of the bonds issued. Similarly, when the foreign currency bonds mature (assuming that the level of the hedged reserves remains unchanged and new foreign currency bonds are not issued) the net sterling financing requirement will rise by the equivalent amount.

4.9 For the purposes of the provisional financing arithmetic in Table 4.A, it is assumed that swapped sterling will remain the main form of financing of the borrowed reserves (as has been the case in recent years) and no new foreign currency debt will be issued in 2009-10.

Provisional Treasury bill sales

4.10 The provisional financing plans for 2009-10 show that the outstanding stock of Treasury bills is expected to remain unchanged at £32.1 billion at end-March 2010. In addition to the scheduled weekly tenders, the DMO may continue to re-open, on request, existing issues of Treasury bills for sale on a bilateral basis, to raise funds for cash management. Consequently, the DMO will continue to have operational flexibility to vary the end-financial year stock subject to its operational requirements. The 2008-09 financial year outturn for the Treasury bill stock will be reported in the *Debt and reserves management report* 2009-10 to be published in Budget 2009 on 22 April 2009. The outturn for 2009-10 will be reported in April 2010.

Other short-term debt

4.11 In 2008-09, HM Treasury made a partial repayment of its Ways & Means Advance from the Bank of England of £3.2 billion. In 2009-10, HM Treasury plans to make a further repayment of its Ways & Means Advance from the Bank of England of £3.8 billion to reduce the Advance to its planned level of £0.4 billion.

4.12 The average level of the DMO's cash balance at the Bank of England is forecast to be £500 million.

Provisional quantity of gilt sales

4.13 The DMO will aim to meet the remainder of the provisional financing requirement by selling gilts to the private sector – on a broadly even-flow basis throughout the financial year. On the basis of the forecast for the CGNCR in the 2008 Pre-Budget Report, this means that there will be provisional gross gilt sales of approximately £147.9 billion (cash) in 2009-10.

Benchmark gilts

4.14 Through its conventional gilt issuance programme, the Government aims at regular issuance across the maturity spectrum throughout the financial year and aims to build up benchmarks at key maturities in both conventional and index-linked gilts.

5 The Debt Management Office's provisional financing remit for 2009-10

Objectives

5.1 The DMO, an Executive Agency of HM Treasury, has been given the following objectives in respect of Government debt management:

- to meet the annual remit set by HM Treasury Ministers for the sale of gilts, with due regard to long-term cost minimisation taking account of risk;
- to advise Ministers on setting the remit to meet the Government's debt management objectives and to report to Ministers on the DMO's performance against its remit, objectives and targets;
- to develop policy on, and promote advances in, new instruments, issuance techniques and structural changes to the debt markets that will help lower the cost of debt financing, liaising as appropriate with the Bank of England, Financial Services Authority, London Stock Exchange and other bodies and to provide policy advice to Ministers on the DMO's performance against its remit, objectives and targets;
- to conduct its market operations, liaising as necessary with regulatory and other bodies, with a view to maintaining orderly and efficient markets and promoting a liquid market for gilts;
- to provide, including in liaison with Computershare Investor Services plc and Euroclear, a high quality efficient service to investors in government debt and to deal fairly and professionally with market participants in the gilt and money markets, consistent with achieving low cost issuance;
- to contribute to HM Treasury's work on the development of the medium-term strategy for the debt portfolio; and
- to make information publicly available on the debt markets and DMO policies where that contributes through openness and predictability to efficient markets and lowers costs of debt issuance.

Provisional quantity of gilt sales

5.2 This financing remit uses the forecast Central Government Net Cash Requirement (CGNCR) for 2009-10 as published in the 2008 Pre-Budget Report on 24 November 2008[13]. The provisional financing arithmetic for 2009-10 has not been revised since the 2008 Pre-Budget Report and will be revised in Budget 2009. In line with the updated financing arithmetic, a new remit will be presented in the *Debt and reserves management report* 2009-10 to be published in Budget 2009. Therefore, it should not be assumed that the gilt issuance split in this provisional remit will be presented in the *Debt and reserves management report* 2009-10 to be published in Budget 2009.

5.3 The DMO, on behalf of the Government, will aim to deliver provisional gilt sales of £147.9 billion (cash)[14] in 2009-10. The skew of conventional and index-linked gilt issuance in 2008-09, as set out in the 2008 Pre-Budget Report, has been carried forward into 2009-10 in this provisional remit.

Provisional amount and maturity of conventional gilt issuance

5.4 The provisionally planned amount of issuance and maturity mix of conventional gilts in auctions in 2009-10 is:

- 16 auctions in the short (1-7 years) maturity area, aiming to raise £63.6 billion cash;
- 11 auctions in the medium (7-15 years) maturity area, aiming to raise £32.5 billion cash; and
- 14 auctions in the long (15 years and over) maturity area, aiming to raise £31.1 billion cash.

5.5 The provisionally planned amount of issuance and maturity mix of conventional gilts will be revised in the *Debt and reserves management report* 2009-10 to be published in Budget 2009 on 22 April 2009.

Provisional amount of index-linked gilt issuance

5.6 In 2009-10, the DMO aims to sell £20.7 billion (cash) in index-linked gilts in 20 auctions.

5.7 The planned amount of issuance of index-linked gilts will be revised in the *Debt and reserves management report* 2009-10 to be published in Budget 2009 on 22 April 2009.

Size of gilt auctions

5.8 The provisional gilt sales targets in paragraphs 5.4 and 5.6 above are specified in cash terms, but the gilt auctions are sized in nominal terms, typically in £50 million increments for conventional gilts and £25 million increments for index-linked gilts. Therefore all provisional gilt sales targets are expressed in approximate terms.

Method of issuance of gilts

5.9 Auctions will constitute the preferred means of issuance of all gilts (conventional and index-linked). All auctions will be single auctions held on the day indicated.

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[13] There has however been a small increase in redemptions of £1 billion since the 2008 Pre-Budget Report.

[14] Figures in Chapter 5 are in cash terms unless otherwise stated.

5.10 Each outright auction of conventional gilts is planned to be between £1.5 billion and £5.0 billion (cash) on a competitive bid-price basis. Each outright auction of index-linked gilts will be between £0.5 billion and £2.0 billion (cash) on a uniform price basis.

5.11 The expected timing of gilt sales is set out in the provisional auction calendar in Table 5.A below. In line with the updated financing arithmetic, a new auction calendar will be presented in the *Debt and reserves management report* 2009-10 to be published in Budget 2009. The dates of auctions in April and May 2009 will not change but a more detailed auction calendar, including the gilts to be auctioned on each date, will be announced by the DMO at 3.30pm on 31 March 2009. The dates of auctions from June onwards may change depending on revisions to the remit announced in Budget 2009; the quarterly calendar announcements setting out further details, including the gilts to be auctioned on each date, will be made at 3.30pm on Friday 29 May, Friday 28 August and Monday 30 November 2009[15]. Full details of all auctions will normally be announced at 3.30pm on the Tuesday of the week preceding the auction.

Table 5.A: Provisional gilt auction calendar 2009-10[1]

Date	Type
2009	
1 April	Conventional
2 April	Conventional
7 April	Conventional
8 April	Index-linked
16 April	Conventional
28 April	Conventional
30 April	Index-linked
6 May	Conventional
12 May	Conventional
14 May	Index-linked
21 May	Conventional
28 May	Index-linked
3 June	Conventional
9 June	Conventional
11 June	Index-linked
23 June	Conventional
2 July	Conventional
7 July	Conventional
8 July	Index-linked
16 July	Conventional
21 July	Conventional
29 July	Index-linked
4 August	Conventional
5 August	Conventional
11 August	Conventional

[15] The announcement in November is subject to the date of the Pre-Budget Report.

20 August	Index-linked
3 September	Conventional
9 September	Index-linked
17 September	Conventional
22 September	Conventional
24 September	Index-linked
29 September	Conventional
1 October	Conventional
7 October	**Index-linked**
14 October	Conventional
22 October	Index-linked
4 November	Conventional
10 November	Conventional
12 November	Index-linked
19 November	Conventional
24 November	Conventional
1 December	Conventional
2 December	Conventional
9 December	Index-linked
17 December	Index-linked
2010	
6 January	Conventional
13 January	Conventional
14 January	Index-linked
21 January	Conventional
28 January	Index-linked
2 February	Conventional
3 February	Conventional
9 February	Conventional
11 February	Index-linked
18 February	Conventional
24 February	Conventional
25 February	Index-linked
3 March	Conventional
9 March	Conventional
11 March	Index-linked
24 March	Conventional

1. The auction calendar will be revised in the *Debt and reserves management report* 2009-10 to be published Budget 2009 on 22 April 2009

5.12 The above provisional programme of conventional and index-linked gilt auctions and any others that may be added during the year may be supplemented between auctions by official sales of gilts by the DMO "on tap". Taps of gilts will be used only as a market management instrument in exceptional circumstances.

5.13 On 17 December 2008 the DMO announced that it would commence a consultation on supplementary methods for distributing gilts to support the gilt auction programme. The consultation closed on 28 January 2009. The DMO's response to its consultation, *Supplementary methods for distributing gilts: response to consultation,* has been published on 18 March 2009 and is available on the DMO's website[16]. These supplementary methods include syndication. The Government will announce any plans to issue gilts using these methods in the *Debt and reserves management report* 2009-10 to be published in Budget 2009 on 22 April 2009.

5.14 The above provisional programme of conventional and index-linked gilt auctions and any others that may be added during the year may be supplemented between auctions by official sales of gilts by the DMO by mini-tender. As a rule of thumb, mini-tenders will typically be half the size of conventional and index-linked auctions. In its quarterly issuance calendar the DMO will specify the week(s) in which any tenders will take place. Advance notice will be given of the specific details of the tenders.

5.15 After an auction the DMO will generally refrain from issuing gilts of a similar type or maturity to the auctioned gilt for a reasonable period, unless already pre-announced, or if there is a clear market management case for doing so.

5.16 For the purposes of market management, the DMO may create and repo out gilts in accordance with the provisions of its Standing Repo Facility launched on 1 June 2000 as revised in the DMO's announcement of 21 December 2007[17].

Reverse auctions

5.17 The DMO has no current plans for a programme of reverse auctions in 2009-10.

Conversions and switch auctions

5.18 The DMO has no current plans for a programme of conversion or switch auctions in 2009-10.

Coupons

5.19 As far as possible, coupons on new issues will be set to price the gilt close to par at the time of issue.

Buy-ins of short-maturity debt

5.20 The DMO will have responsibility for buying in gilts close to maturity to help manage Exchequer cash flows.

Revisions to the remit

5.21 Any aspect of this remit may be revised, and this remit will be replaced by the remit published in Budget 2009 on 22 April 2009.

5.22 Any revisions to the remit will be announced.

[16] www.dmo.gov.uk

[17] The announcement of 21 December 2007 is available on the DMO website at: http://www.dmo.gov.uk/documentview.aspx?docname=giltspress/pr211207

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