

## **DMO website announcement 21 March 2007**

### **PUBLICATION OF THE DMO'S FINANCING REMIT FOR 2007-08**

The DMO's financing remit for 2007-08 has been published today as part of the Budget 2007 announcements. The main points are summarised below.

#### **Debt issuance by the DMO**

The DMO plans to raise £59.8 billion in 2007-08; split as follows:

- Gilt sales: £58.4 billion
- Treasury bill sales: £1.4 billion

#### **Planned gilt sales**

Gilt sales will comprise:

- £10.0 billion short conventional gilt sales in 4 auctions;
- £10.0 billion medium conventional gilt sales in 4 auctions;
- £23.4 billion long conventional gilt sales in 11 auctions;
- £15.0 billion index-linked gilt sales in 15 auctions;

#### **Frequency and regularity of issuance**

The DMO plans to hold one short-dated and one medium-dated conventional gilt auction each quarter and to hold at least two long-dated conventional gilt auctions each quarter.

The DMO will also hold regular auctions of long-dated index-linked gilts.

#### **Dates for quarterly gilt issuance announcements**

As in 2006-07, with the exception of the first quarter, the consultation meetings (and the subsequent quarterly calendar announcements) will be held one month prior to the quarter-end (i.e. in May, August and November 2007) to continue to provide a greater degree of predictability and pre-commitment throughout the year.

Following the quarterly consultation meetings on 26 March 2007 further details of the conventional gilt auction scheduled for Tuesday 3 April 2007 will be announced by the DMO at 3.30pm on Tuesday 27 March.

The details of the remaining auctions scheduled for April - June 2007 will be announced by the DMO at 3.30pm on Friday 30 March 2007.

## **Gilt auction calendar**

The gilt auction calendar is reproduced at Table 1 below.

## **Switch auctions, conversion offers, syndicated offerings**

The DMO has no current plans to hold any switch auctions, conversion offers, or syndicated offerings in 2007-08.

## **Treasury bill sales**

The stock of Treasury bills in market hands is scheduled to rise by £1.4 billion in 2007-08, increasing the planned stock at-end March 2008 to £17.0 billion. However, the DMO will have discretion to vary the Treasury bill stock over the end of the financial year in line with its cash management operational requirements. Any difference between the outturn and the target will be reported in April 2008, along with any wider implications for the DMO's financing remit in 2008-09 arising from the publication of the outturn for the 2007-08 CGNCR.

## **Changes to the financing requirement**

The Debt and Reserves Management Report (DRMR) 2007-08 includes new forecasts for the Central Government Net Cash Requirement (CGNCR) of £37.0 billion for 2006-07 and £37.6 billion in 2007-08. These are a reduction of £4.2 billion and an increase of £2.9 billion respectively since the forecasts published in the Pre-Budget Report (PBR) 2006. The other changes contributing to financing in 2006-07 since PBR 2006 are:

- an increase of £0.3 billion in forecast net sales by National Savings & Investments (NS&I), taking their contribution to financing to £5.5 billion;
- a reduction of £0.3 billion (to £3.5 billion) in the forecast contribution to financing from the restructuring of British Nuclear Liabilities.

The gross financing requirement for 2007-08 is forecast to be £62.6 billion<sup>1</sup>. After taking account of National Savings & Investments' estimated net contribution to financing of £2.8 billion, the net financing requirement is forecast to be £59.8 billion. This is being financed by gilt sales of £58.4 billion and Treasury bill sales of £1.4 billion.

The financing arithmetic for 2006-07 and 2007-08 is reproduced at Table 2. Also reproduced at Table 3 are illustrative financing projections out to 2011-12.

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<sup>1</sup> After taking account of a necessary run-down of £4.2 billion in the DMO's net short-term cash position at the end of 2006-07.

**Table 1: Gilt auction calendar 2007-08**

<b>Date</b>	<b>Type</b>
<b>2007</b>	
3 April	Conventional
12 April	Index-linked
24 April	Index-linked
3 May	Conventional
22 May	Index-linked
24 May	Conventional
5 June	Conventional
21 June	Conventional
26 June	Index-linked
3 July	Conventional
10 July	Index-linked
26 July	Index-linked
9 August	Conventional
11 September	Conventional
13 September	Conventional
26 September	Index-linked
2 October	Conventional
10 October	Index-linked
24 October	Index-linked
1 November <sup>1</sup>	Conventional
6 November <sup>1</sup>	Conventional
20 November <sup>1</sup>	Index-linked
28 November <sup>1</sup>	Conventional
4 December <sup>1</sup>	Conventional
12 December <sup>1</sup>	Index-linked
<b>2008</b>	
8 January	Conventional
17 January	Index-linked
29 January	Index-linked
5 February <sup>1</sup>	Conventional
14 February <sup>1</sup>	Conventional
27 February <sup>1</sup>	Index-linked
4 March <sup>1</sup>	Conventional
13 March <sup>1</sup>	Conventional
27 March <sup>1</sup>	Index-linked
<i>1. Subject to confirmation following the Chancellor's decisions on the Budgetary timetable.</i>	

**Table 2: Financing arithmetic 2006-07 and 2007-08**

Budget 2007 Financing arithmetic (£bn)	2006-07	2007-08
CGNCR forecast	37.0	37.6
Gilt redemptions	29.9	29.2
Restructuring British Nuclear Liabilities	-3.5	0.0
Financing for reserves	0.0	0.0
Buy-backs	0.2	0.0
Planned short-term financing adjustment <sup>1</sup>	-3.3	-4.2
<b>Financing requirement</b>	<b>60.3</b>	<b>62.6</b>
Less		
NS&I	5.5	2.8
<b>Net financing requirement</b>	<b>54.8</b>	<b>59.8</b>
Financed by		
<b>1. Debt issuance by the DMO</b>		
a) T bills	-3.5	1.4
b) Gilt sales	62.5	58.4
- split		
Short conventional	10.0	10.0
Medium conventional	10.0	10.0
Long conventional	25.3	23.4
Index-linked	17.3	15.0
<b>2. Other planned change in short term debt<sup>2</sup></b>		
Ways and Means	0.0	0.0
<b>3. Unanticipated change in short term cash position<sup>3</sup></b>	<b>4.2</b>	<b>0.0</b>
<b>Total financing</b>	<b>59.0</b>	<b>59.8</b>
<b>Short-term debt levels at end of financial year</b>		
T bill stock (in market hands)	15.6	17.0
Ways and Means	13.4	13.4
DMO net cash position	4.7	0.5
<i>1. 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 the cash position from the previous year.</i>		
<i>2. 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 Ways and Means.</i>		
<i>3. A negative (positive) number indicates an increase in (reduction of) the financing requirement for the following financial year.</i>		

**Table 3: illustrative financing projections**

Illustrative financing projections (figures may not sum due to rounding)				
£bn	2008-09	2009-10	2010-11	2011-12
CGNCR projections	29	34	28	31
Redemptions	17	16	30	27
Illustrative gross financing requirement	46	50	58	58
CGNCR change since Pre-Budget Report	-2	1	-1	-1

More details about the Government's financing programme for 2007-08 and the DMO remit are included in the Debt and Reserves Management Report (DRMR) 2007-08, which can be found at [www.dmo.gov.uk/remit/drmr0708.pdf](http://www.dmo.gov.uk/remit/drmr0708.pdf).