United Kingdom
Debt Management
Office

DMO Annual Review

2013-14

The United Kingdom
Debt Management Office
is an Executive Agency of
HM Treasury

August 2014

Contents

		Page No
	Foreword by the DMO Chief Executive	2
1.	The Economy and Financial Markets	3
	• Investors in gilts and Treasury bills	10
2.	Government Debt Management	15
3.	Exchequer Cash Management	31
4.	Fund management and local authority lending for central government	35
5.	The DMO	37

Annexes

- A List of GEMMs and Inter Dealer Brokers (IDBs) at 31 March 2014 42
- B Debt and cash management performance 46
- C The gilt portfolio 58

Foreword by the DMO Chief Executive

2013-14 was the sixteenth year the DMO has been responsible for UK debt management operations; and once again we successfully delivered the Government's gilt financing programme in a challenging and volatile financial market environment, albeit alongside signs of economic recovery.

The DMO raised £153.4 billion via gilt sales in 2013-14; this was the sixth year in a row that the gross gilt sales programme has exceeded £140 billion, over which period the size of the gilt market has more than quadrupled to almost £1.4 trillion.

The use of supplementary distribution methods, principally syndicated gilt offerings, again facilitated the issuance of very long-dated conventional and index-linked gilts and allowed us to continue targeting our core domestic investor base more directly. In particular, in 2013-14, we used the syndication programme to extend both the nominal and real yield curves out to 55 years.

Of the programme of five syndicated gilt offerings, four were for new "super-long" 2068 maturities (both conventional and index-linked), the proceeds from which accounted for over 80% of the total of £23.3 billion raised by syndications in the financial year.

A programme of four mini-tenders raised £5.6 billion and in all the DMO held 52 gilt financing operations (including 43 auctions), which was four fewer than in the previous financial year.

I continue to be pleased by the efficiency with which the gilt market smoothly absorbs high levels of gilt issuance. There seems to be ongoing recognition and appreciation of increased liquidity in the gilt market. Aggregate average daily turnover in 2013-14 was £27.9 billion, which was over 40% up on five years ago.

The DMO again performed strongly in 2013-14 in carrying out its cash management function. All related objectives were met, despite the ongoing challenging money market conditions.

The DMO saw continuing strong demand for Treasury bills from an increased number of investors. As with gilts, Treasury bills continued to attract significant overseas investor interest, with around 40% of the market being held by such investors at the end of 2013.

During the financial year £1.6 billion of new loans were advanced by the Public Works Loan Board, while loan repayments totalled £1.9 billion. At end-March 2014 the PWLB's loan portfolio had a nominal value of £63.2 billion and a market value of £74.9 billion.

The DMO again successfully provided a cost-effective service to its clients through the fund management operations of the Commissioners for the Reduction of the National Debt. The market value of these funds was £27.8 billion as at 31 March 2014.

In summary, the DMO performed strongly in 2013-14 across the range of its activities and operations.

Robert Stheeman
August 2014

Chapter 1: The Economy and Financial Markets

Macroeconomic Developments

Accommodative monetary policy and improved financial stability helped the global recovery to strengthen during the year, but economic activity was uneven with overall growth worldwide dampened by slower growth in a number of emerging economies. Growth was also very subdued in large parts of the euro area, but in other advanced regions recoveries improved further, including in the United States, where policymakers voted to gradually reduce monetary policy stimulus from December 2013. In the UK, real Gross Domestic Product (GDP) was relatively robust and stable on a quarter-on-quarter (q-o-q) basis during the year with growth at 0.7% or 0.8% throughout. The year-on-year (y-o-y) rate for the 2013-14 financial year was 2.3%. Household expenditure continues to be the main driver of growth but, although net exports remain subdued, a pick-up in business investment has resulted in a somewhat more balanced recovery.

Consumer Prices Index (CPI) inflation was above the Bank of England's target growth rate of 2.0% year-on-year (y-o-y) for the first eight months of the financial year before drifting below target towards the end of the period. Initially at 2.4% the rate rose to a financial year peak of 2.9% in June before trending down to 2.0% in December. The rate continued to fall in Q4 ending the period at 1.6% - the lowest level since October 2009 - with the largest contribution to the fall coming from lower transport costs (which includes motor fuels). The Retail Prices Index (RPI) measure of inflation, which is used to set the cash flows on index-linked gilts, started the financial year at 2.9% y-o-y, rising to a peak of 3.3% in June and remaining above 3.0% until October when the rate fell to 2.6%. The rate edged up to 2.8% in January 2014 before easing to a financial year low of 2.5% in March.

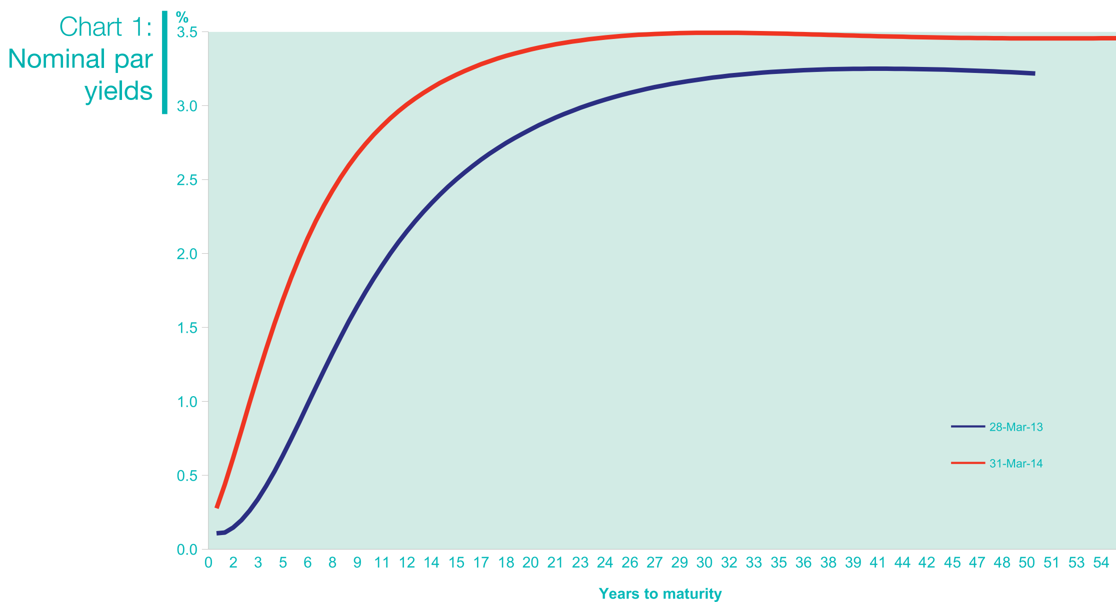
The Bank of England (BoE) official Bank Rate remained at an historic low level of 0.5% throughout 2013-14 and the stock of asset purchases, financed by the creation of central bank reserves (also known as 'quantitative easing'), was maintained at £375 billion. In August 2013 the Monetary Policy Committee announced its intention not to raise Bank Rate or reduce the stock of assets purchased at least until the Labour Force Survey (LFS) headline measure of the unemployment rate had fallen to 7.0% - subject to certain price and financial stability conditions. The LFS rate was 7.8% at the time of the announcement. In February 2014, following a surprisingly rapid fall in the unemployment rate towards the threshold, a second phase of 'forward guidance' was announced with the BoE stating "there remains scope to absorb spare capacity further before raising Bank Rate."

Gilt market developments

Par gilt yields

Nominal yields rose across the curve in 2013-14, in contrast to the trend observed in the previous financial year. The most significant increases in yields were in the 5-10 year maturity area. Following the launch of a new conventional gilt maturing during 2068 in 2013-14, the nominal par yield curve has been extended to the 55 year maturity. For the year as a whole, 2-year yields rose by 61 basis points (bps) to 0.80%, 5-year yields by 109 bps to 1.84%, 10-year yields by 97 bps to 2.80%, 30-year yields by 31 bps to 3.49% and 50-year yields by 24 bps points to 3.46% (see Chart 1).

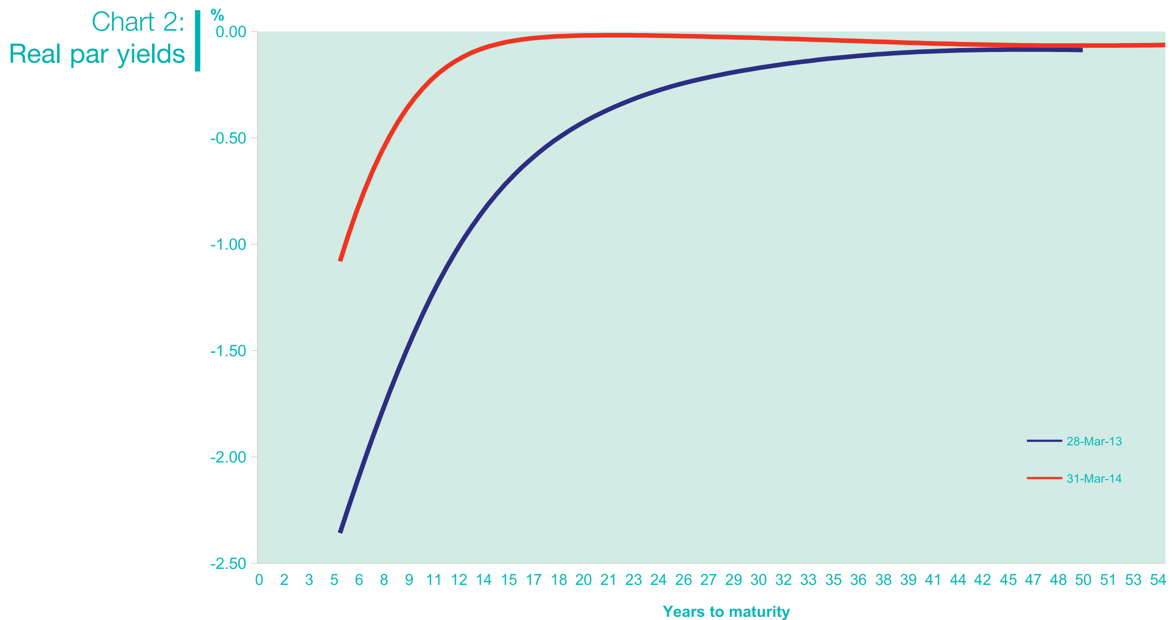
Chart 1: Nominal par yields



Source: DMO

Real yields also rose in 2013-14, notably in the 5-10 year maturity area leading to an inversion in real yields for longer dated maturities. 5-year real par yields rose by 128 bps to -1.08%, 10-year par yields by 106 bps to -0.27%, 30-year par yields by 15 bps points to -0.03% and 50-year par yields by 2 bps to -0.07%. Real yields across all maturities ended the year in negative territory, including in the 55-year maturity area in which the UK government launched a new index-linked gilt in 2013-14 (see Chart 2).

Chart 2: Real par yields



Source: DMO

Conventional benchmark yields

The gilt market remained relatively stable in 2013-14 against a backdrop of improving macro-economic conditions in the UK, a reduction in the pace of asset purchases by the US Federal Reserve Bank and a recovery in peripheral European economies.

For long periods in the first half of the financial year, gilt yields rose as the UK economic recovery gathered momentum and market speculation increased regarding the possibility of tapering of asset purchases by the Federal Reserve Bank. Amidst market concerns about a US government default due to a breach of its debt ceiling, a widespread view emerged that the Federal Reserve Bank would be unwilling to taper its asset programme before the end of 2013. The delayed resolution of the debt ceiling debate led to safe haven flows into the gilt market and gilt yields fell marginally mid-way through the financial year.

Under a new Governor, the Bank of England introduced forward guidance in the summer on the setting of monetary policy. The framework stipulated that the Monetary Policy Committee (MPC) would not consider raising the Bank Rate until the unemployment rate fell below 7%. As strong employment data was published in the following months, market rates began to imply that the first Bank Rate rise would occur earlier than first expected. In February's quarterly Inflation Report the MPC provided further guidance on the setting of monetary policy: the MPC judged that there remains scope to absorb spare capacity further before raising Bank Rate, and when Bank Rate does begin to rise, the appropriate rate of increase is expected to be gradual. The Bank continued to reinvest proceeds from gilt redemptions in 2013-14 into the gilt market and maintain the overall size of the Asset Purchase Facility (APF) at £375 billion.

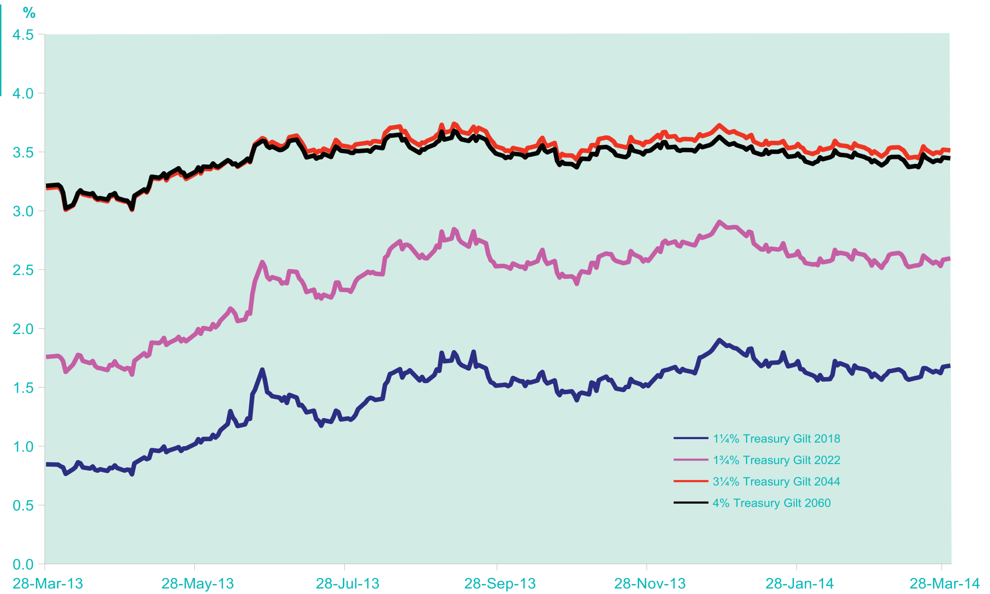
The Chancellor of the Exchequer delivered his Autumn Statement (AS) on 5 December 2013 alongside the Office for Budget Responsibility's (OBR's) revised fiscal forecasts; as a consequence of the reduction in the net financing requirement, planned gilt sales in 2013-14 were reduced by £2.0 billion to £153.7 billion, while planned sales of Treasury bills were reduced by £13.5 billion to achieve an end-March 2014 Treasury bill stock

of £56.5 billion.

In the final quarter of the financial year gilts benefitted from further safe haven flows as geopolitical tensions in Ukraine heightened. Meanwhile, increased market expectations of a rate cut from the European Central Bank (ECB) led to an outperformance of bunds relative to gilts.

The path of benchmark conventional nominal gilt yields over 2013-14 is shown in Chart 3.

Chart 3
Conventional benchmark nominal yields

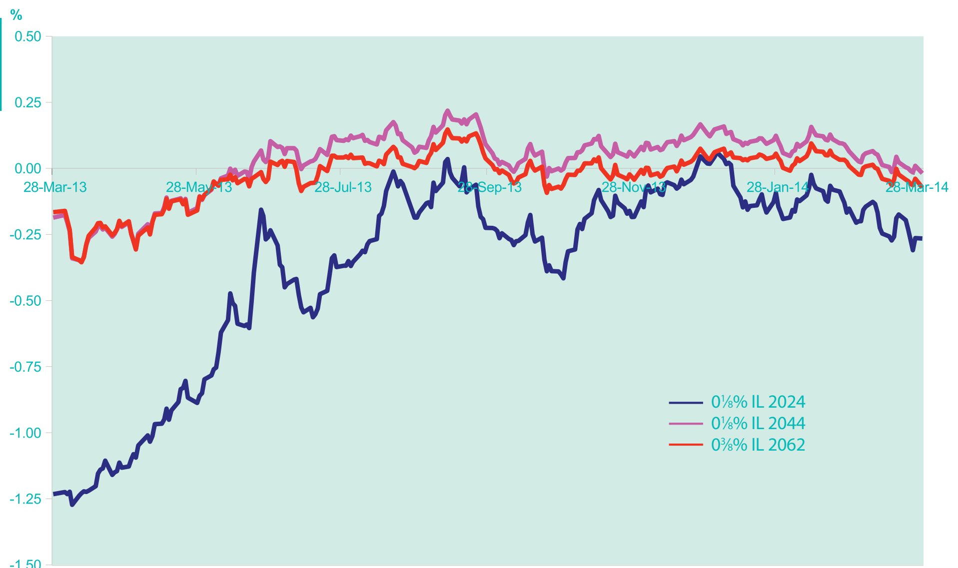


Source: DMO

Index-linked real yields

Chart 4 shows the real yields on selected benchmark index-linked gilts in 2013-14. The real yield on 0⅛% Index-linked Treasury Gilt 2024 rose by 97 bps y-o-y to -0.27%, whilst the yield on 0⅛% Index-linked Treasury Gilt 2044 rose by 17 bps to -0.02% and that of 0⅜% Index-linked Treasury Gilt 2062 by 9 bps to -0.07%. For almost three quarters of the year, the real yield curve remained inverted in long maturities with 0⅜% Index-linked Treasury Gilt 2062 yielding less than 0⅛% Index-linked Treasury Gilt 2044.

Chart 4:
Index-linked benchmark real yields

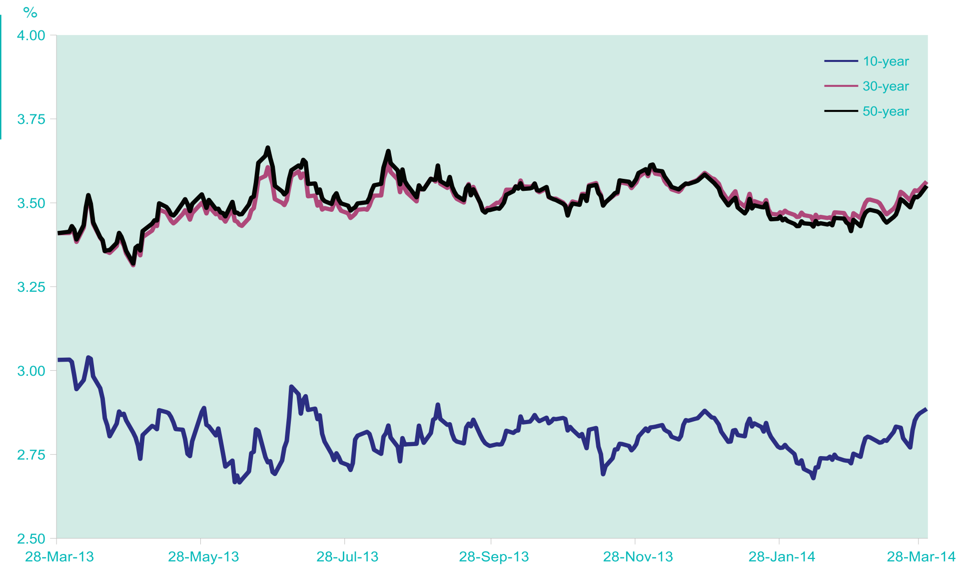


Source: DMO

Break-even inflation rates

As measured by break-even inflation rates, long dated index-linked gilts outperformed their conventional gilt counterparts in 2013-14, as shown in Chart 5. This reflected ongoing demand from the UK pension fund sector in that part of the curve. Short dated index-linked gilts, however, slightly underperformed their conventional counterparts as RPI drifted lower throughout the year.

Chart 5: 10- 30- and 50-year break-even inflation rates

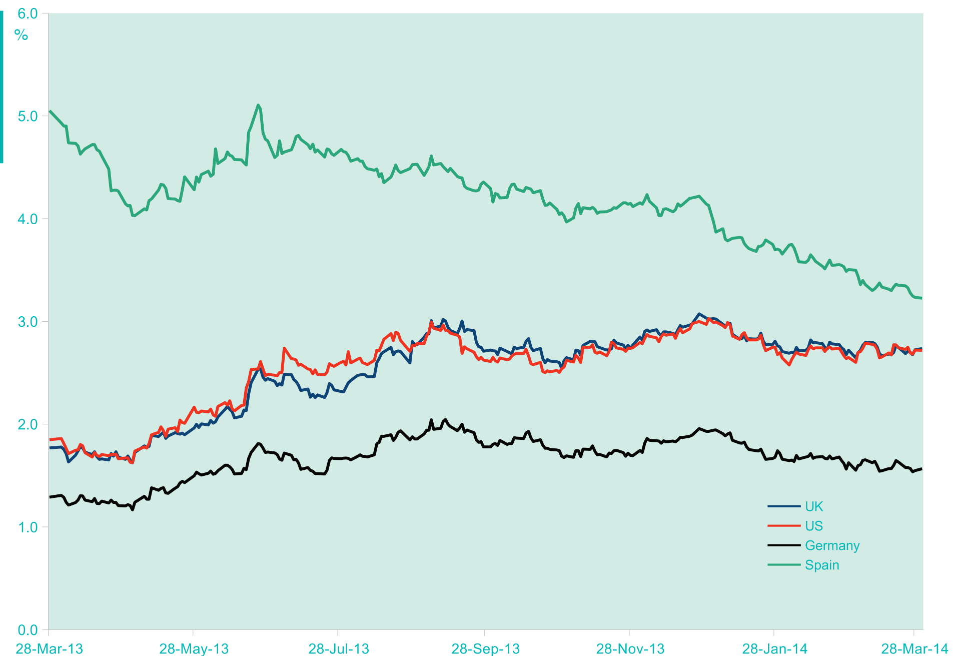


Source: DMO

International comparisons

Yields on 10-year UK, US and German government bonds rose overall during 2013-14 (by 97, 87 and 28 bps respectively by the end of the year), while 10-year Spanish government bond yields declined significantly, falling by 183 bps.

Chart 6: Selected international 10-year benchmark bond yields



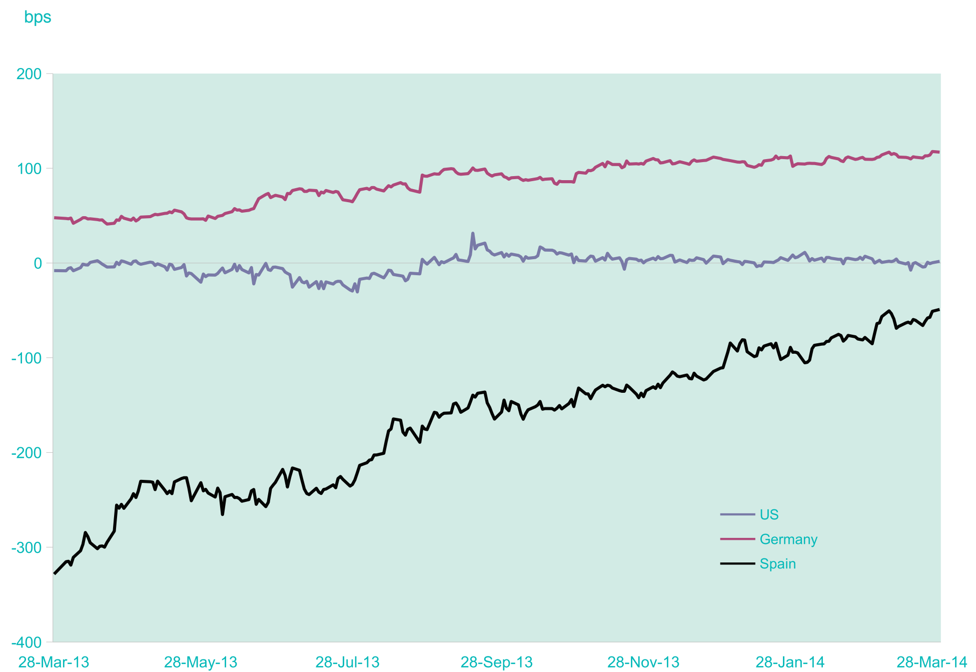
Source: Bloomberg

The spread between 10-year gilts and US Treasury yields remained relatively steady throughout the year. At its widest, the spread was 32 bps in mid-September as the US debt ceiling debate unfolded. Prior to this, market speculation of a tapering of asset purchases by the Federal Reserve Bank led to the spread trading at its trough of -31 bps (see Chart 6).

The spread between 10-year gilts and German government bonds (bunds) began the financial year at +48 bps and increased steadily to end the year at its widest level of 118 bps. Market speculation that the ECB might cut interest rates led to a fall in bund yields particularly in the second half of the financial year.

The spread between 10-year gilts and Spanish government bonds (obligaciones) narrowed markedly from -328 bps at the start of the financial year to -49 bps at end-March 2014. This reflected the market's view that the prospects for the Spanish economy had significantly improved.

Chart 7:
Selected international 10-year benchmark bond spreads to gilts

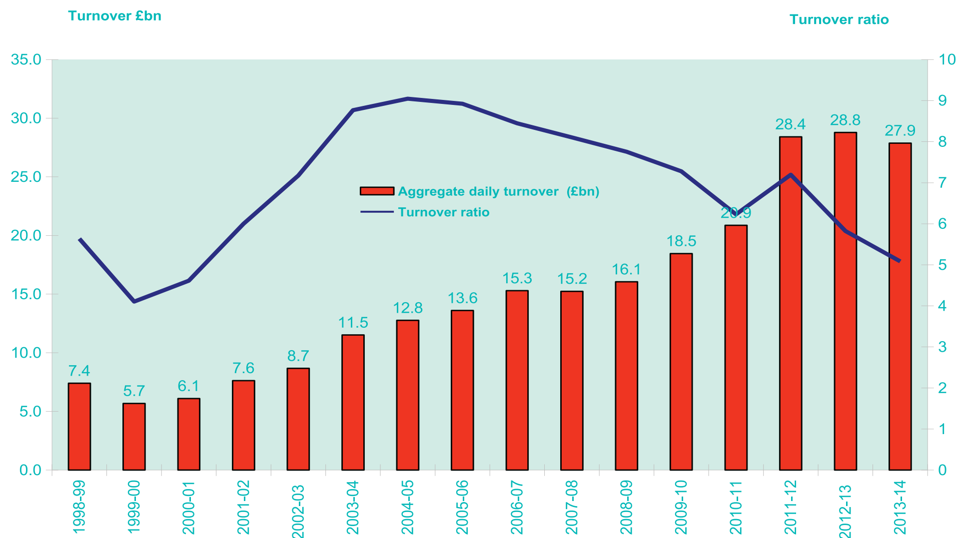


Source: Bloomberg

Gilt market turnover

Aggregate daily turnover by value in the gilt market in 2013-14 fell by £0.9 billion compared with the previous financial year (from £28.8 billion to £27.9 billion). Relative to 2012-13, trading intensity (as measured by the turnover ratio[1]) fell from 5.82 to 5.08, reflecting the significantly larger portfolio against which the ratio is calculated (see Chart 8).

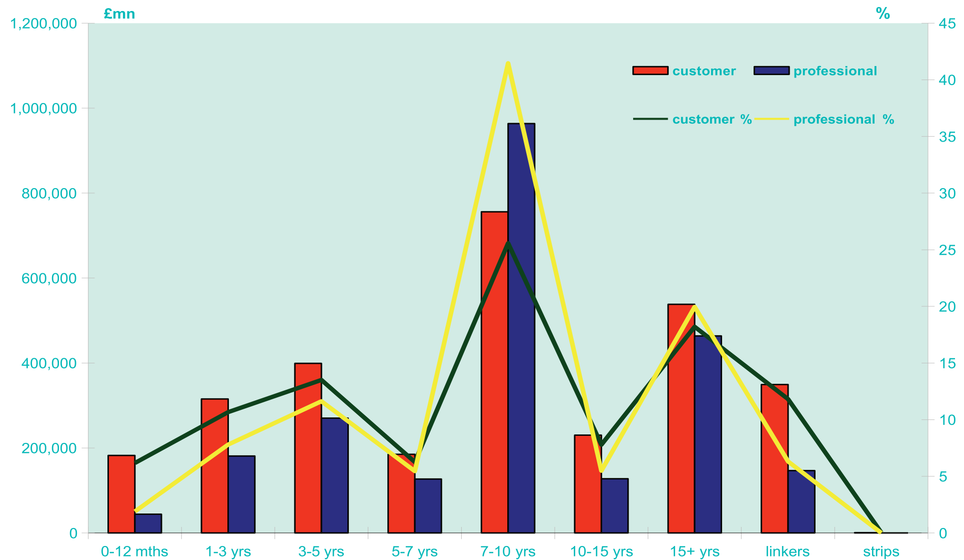
Chart 8: Gilt market turnover



Source: GEMMs

As in previous years, gilt market turnover was weighted heavily towards the 7-10 year maturity sector, with the over 15-year and the 3-5 year maturity sectors the next most actively traded parts of the curve (see Chart 9)[2].

Chart 9: Gilt market turnover by maturity and type



Source: GEMMs

---

[1] The turnover ratio for a given year is the aggregate turnover in that financial year relative to the market value of the gilt portfolio at the start of the year.

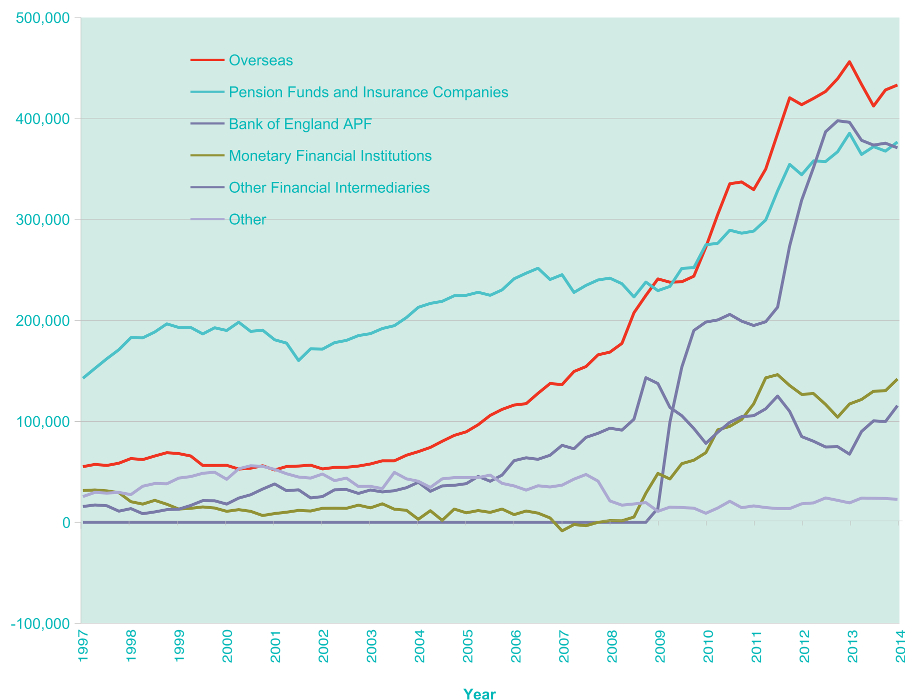
[2] Customer turnover refers to trade directly with an end investor, and professional turnover refers to trade with other official market participants including GEMMs, brokers, the DMO and the Bank of England.

Investors in gilts and Treasury bills

The investor base for the government's debt is very diverse and has evolved significantly over time. Recognising the diversity of the government's investor base, and the importance of all investors in helping the government to raise finance cost effectively (subject to risk), the DMO undertakes regular analysis and research on its investor base, as well as seeking to maintain good market relations, through regular formal consultation and through an ongoing dialogue on a bilateral basis with all sectors of the market.

Chart 10 below shows the largest holdings of gilts and Treasury bills by investor type to end-March 2014, using data published by the Office for National Statistics (ONS)[3].

Chart 10: Holdings of gilts and Treasury bills by investor type



Source: ONS

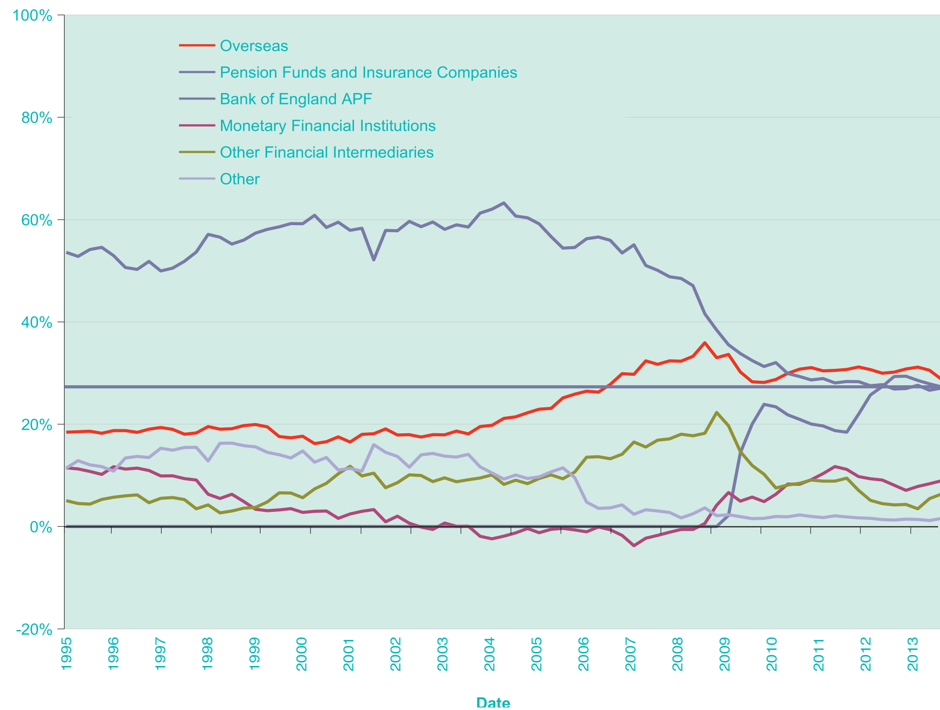
Chart 10 highlights that overseas investors have become significant holders of gilts and Treasury bills in recent years, as the overall size of the debt stock has grown during and after the financial crisis. Overseas investors' holdings of gilts and Treasury bills were £433.2 billion (on a market value basis) at end-March 2014, and they are the largest investor in UK Government debt at present. Pension funds and insurance companies continue to be significant investors in UK Government debt and their overall holdings have also grown in recent years to £376.7 billion. The three other major groups of holders of UK Government debt are the Bank of England's Asset Purchase Facility (APF) (£370.9 billion, gilts only), Monetary Financial Institutions1 (£141.9 billion) and Other Financial Intermediaries (£115.6 billion).

[3] With adjustments by the DMO using Bank of England APF data.
[4] Primarily Banks.

Gilt holdings and trends in investment

The composition of the investor base has evolved in recent years as the size of the debt stock has grown and as a result of the use of unconventional monetary policy in the UK by the Bank of England, in the form of the APF. The current proportions of gilt holdings by investors can be seen in Chart 11.

Chart 11. Proportionate holdings of gilts by investor type



Source: ONS

The trend for overseas investors, including central banks and reserve managers, sovereign wealth funds, international asset managers and hedge funds to invest in gilts continued in 2013-14, with overseas investors remaining the largest holders of gilts, accounting for 29.2% of the gilt portfolio (£410.0 billion market value), a slight reduction in their proportionate share of holdings of gilts at end-March 2013 when it was 31.2%.

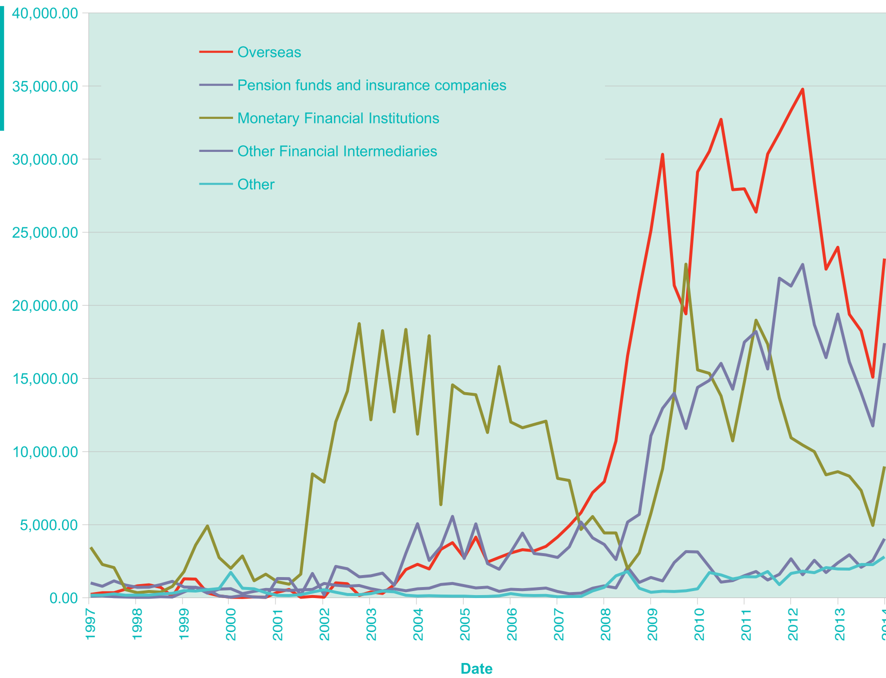
While the share of pension funds and insurance companies in the gilt market has fallen in recent years as the gilt stock has increased significantly, they remain an important investor in the market, and are likely to be significant purchasers of gilts in years to come as defined benefit pension funds continue to de-risk their investment portfolios. At end-March 2014, pension funds and insurance companies held 26.6% of gilts (£372.7 billion), down slightly from 27.6% at the-March 2013.

One of the most significant changes to the composition of the gilt investor base in recent years has the introduction of quantitative easing in the UK, which has resulted in the Bank of England's APF purchasing £375 billion of gilts. Its holdings, on a market value basis, at end-2014 were £370.8 billion, 26.4% of the gilt portfolio. In addition, as a result of regulatory changes, monetary financial institutions (domestic banks and building societies) have significantly increased their holdings of Government debt over the last six years. At end March 2014, they held £132.9 billion in gilts, 9.5% of the gilt portfolio.

Treasury bill Holdings

Reflecting the more variable nature of the Treasury bill stock, sectoral holdings of Treasury bills are more volatile than those of gilts. Chart 12 shows the change in holdings since 1997, when the Treasury bill stock was much smaller than it is today – at end March 2014 the stock was £56.5 billion in market value terms, in comparison with £5.0 billion at end-March 1997.

Chart 12: Holdings of Treasury bills by investor type



Source: ONS

As with gilts, the largest holders of Treasury bills are overseas investors, who held £23.2 billion at end March 2014, 41.1% of the stock. The two other large investors in Treasury bills are Monetary Financial Institutions and Other Financial Intermediaries, who held £9.0 billion and £17.4 billion respectively at end-March 2014.

Money market developments

Financial market sentiment in 2013-14 was heavily dependent on investors' expectation of monetary policy. Policy interest rates remained unchanged in the UK and US at 0.5% and 0.25% respectively in 2013-14. In the euro area, the Governing Council of the ECB cut its main policy rate by 25bps in May 2013 to 0.50% and then by a further 25bps in November 2013 to 0.25%. Policy rates in the euro area remained at this level for the rest of the financial year (see Chart 13)

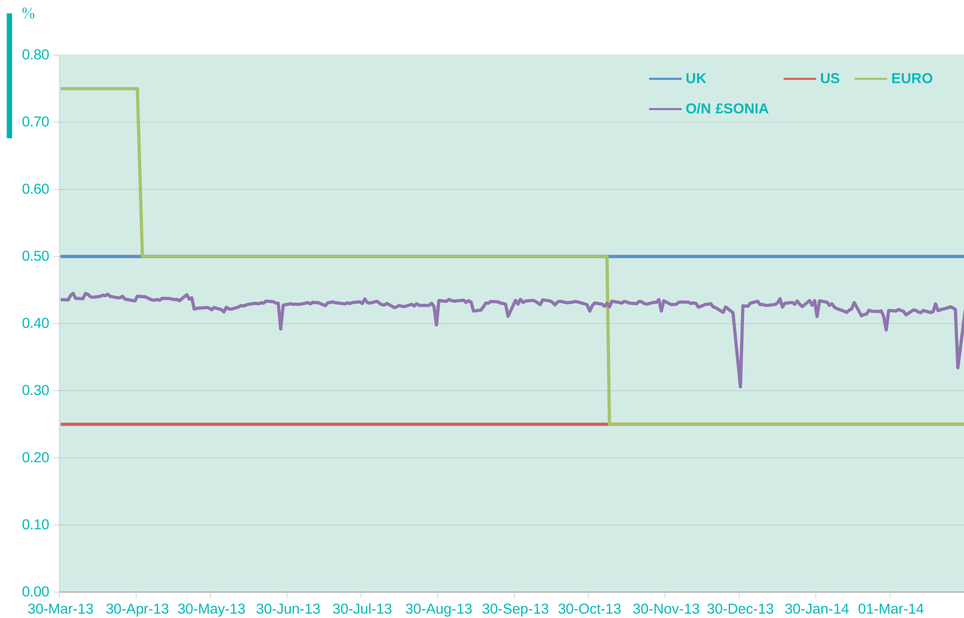
In the UK, in addition to maintaining Bank Rate at 0.50%, the MPC also maintained the stock of asset purchases financed by the creation of central bank reserves at £375 billion throughout the financial year. The MPC reinvested the cash flows associated with the APF's holdings of gilts that matured in March 2013 (£6.6 billion) and September 2013 (£1.9 billion). The Funding for Lending Scheme (FLS) which is designed to incentivise banks and building societies to boost lending to UK households and non-financial companies was extended (in April 2013) to allow participants to borrow from the facility until January 2015 and to skew incentives towards lending to small and medium-sized enterprises (SMEs). The scheme was also expanded to include lending by participating banks to certain other non-bank providers of credit.

Alongside the August Inflation Report, the MPC adopted forward guidance, expressing its intention not to increase Bank Rate until the unemployment rate had fallen to at least 7% provided this remained consistent with the Committee's primary objective of price stability and did not endanger financial stability. Further guidance was provided by the MPC in February. The MPC judged that there was scope for the UK economy to recover further before Bank Rate was raised and that even when Bank Rate is raised it expected it to rise gradually and to a level materially below its pre-crisis average of 5%. The Bank of England also made changes to the Sterling Monetary Framework through which the Bank implements monetary policy and supports financial stability.

In the euro area the ECB adopted a form of forward guidance, at its June meeting, when it took steps to quell expectations of any imminent rise in its policy rate by stating that the policy rate would remain low for an 'extended period'. In November, the ECB also announced an extension to the full allotment policy used in its open market operations from mid-2014 to mid-2015. Under the 'fixed rate full allotment' policy, stressed (but solvent) banks that can provide adequate collateral have unlimited access to the ECB liquidity at a fixed rate. Throughout the year, ongoing repayments by banks of funds borrowed under the ECB's longer-term refinancing operation edged euro-area overnight rates higher.

In the United States, the Chairman of the Federal Reserve reacted to improvements in the outlook for the US economy (in May 2013) suggesting that a decision to slow the pace of its asset purchases (tapering) might be taken 'in the next few meetings'. This statement caused some uncertainty in financial markets and also led to rises in US Treasury yields. The Federal Open Markets Committee (FOMC) (in December 2013) reduced monetary stimulus when it announced a reduction in the pace of its asset purchases from $85 billion per month to $75 billion per month. A further $10 billion reduction was announced in January 2014. At the end of the financial year, the FOMC's asset purchases stood at $55 billion per month ($25 billion in agency mortgage-backed securities and $30 billion in government bonds).

Chart 13:
Official interest rates

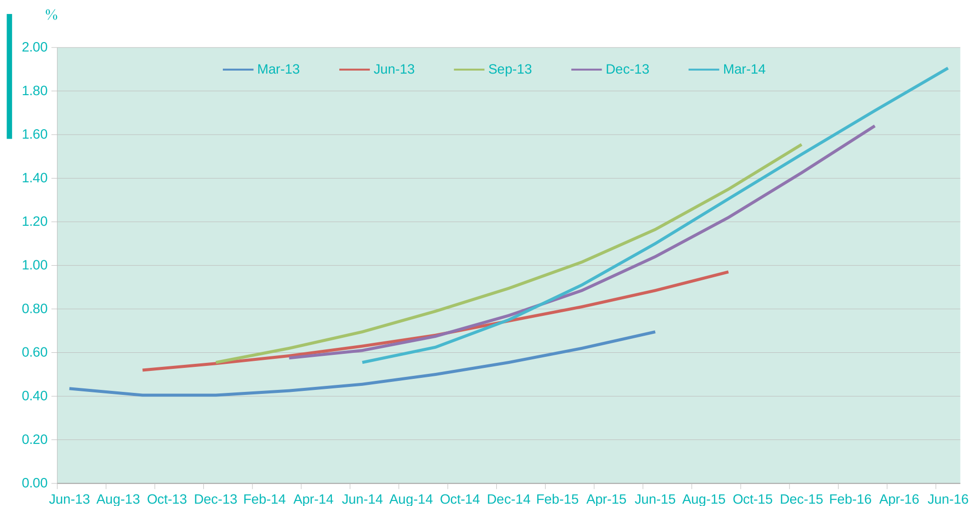


Source: Bloomberg/British Bankers' Association (BBA)

Chart 13 also shows the path of the Sterling Overnight Index Average (SONIA) rate in 2013-14. In the UK the spread between SONIA and Bank Rate ranged between -5 bps and -19 bps i.e. remained slightly below Bank Rate, with the spread typically widening at month-end and quarter-end when demand for overnight liquidity among UK banks is significantly reduced.

The changing path of future interest rate expectations over the financial year can be seen in the implied yields of short Sterling contracts shown in Chart 14. All the curves show a rise in interest rate expectations over the course of the year.

Chart 14:
Implied curves from short Sterling contracts



Source: Bloomberg

Chapter 2: Government Debt Management

Debt management responsibilities and objectives

Objectives of debt management

The UK Government's debt management policy objective is:

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

The objective is achieved by:

- meeting the principles of openness, transparency and predictability;
- developing a liquid and efficient gilt market;
- 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; and
- offering cost-effective savings instruments to the retail sector through National Savings & Investments (NS&I).

Maturity and composition of debt issuance

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

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

The DMO's financing remit for 2013-14

Budget 2013

The financing remit for 2013-14 was published alongside the Budget on 20 March 2013. The Central Government Net Cash Requirement (CGNCR) forecast for 2013-14 was £111.0 billion[5], and the DMO's net financing requirement was forecast to be £162.9 billion.

Total planned debt sales were split as follows:

- Outright gilt sales: £151.0 billion
- Net Treasury bill sales: £11.9 billion

The gilt financing remit structure

The planned gilt sales programme of £151.0 billion, comprised:

- a core gilt sales programme of £121.0 billion in 43 auctions;
- supplementary gilt sales programmes of £30.0 billion, split as follows:
  - £20.0 billion of gilt sales via syndicated offerings; and
  - £10.0 billion of gilt sales via mini-tenders.

The planning assumption was that, as in previous years, the programme of syndicated offerings would be directed exclusively at long conventional and index-linked gilt sales. As in 2012-13, all types and maturities of gilts were eligible for sale via mini-tenders.

Overall planned issuance was split as follows:

- £42.6 billion of short conventional gilt sales in 9 auctions;
- £30.0 billion of medium conventional gilt sales in 9 auctions;
- £32.6 billion of long conventional gilt sales in 10 auctions (aiming to raise £24.6 billion) and £8.0 billion via syndication;
- £35.8 billion of index-linked gilt sales in 15 auctions (aiming to raise £23.8 billion) and £12.0 billion via syndication; and
- £10.0 billion via mini-tenders.

Planned gilt sales fell by £14.1 billion compared with 2012-13 and the planned split of issuance was maintained at broadly similar levels compared with the previous year. The table below shows the outturn for gilt sales in 2012-13 as compared to the plans for 2012-13 at Budget 2012 (excluding any assumption about the allocation of sales via mini-tenders).

Table 1: Gilt sales 2012-13 and plans at Budget 2013 for 2013-14

	2012-13 (outturn)		2013-14		
	£bn	(%)	£bn	(%)	Change
Short	50.8	30.7	42.6	28.2	-2.5%
Medium	34.7	21.0	30.0	19.9	-1.1%
Long	37.5	22.7	32.6	21.6	-1.1%
Index-linked	35.9	21.7	35.8	23.7	2.0%
Mini-tenders	6.3	3.8	10.0	6.6	2.8%
	165.1		151.0		

[5] After adjustment for the reclassification of Northern Rock (Asset Management) (NRAM) and Bradford & Bingley (B&B) as part of Central Government.

Short conventional issuance remained the largest single component of the plans in both absolute and proportional terms (despite falling by £8.2 billion (2.5%) compared with 2012-13) while planned medium issuance was reduced by £4.7 billion or 1.1% in proportional terms. Planned sales of long conventional gilts also fell marginally compared with the previous year by 1.1% (£4.9 billion) while planned sales of index-linked gilts were virtually unchanged in absolute terms (a proportionate increase of 2.0%).

The overall small adjustments to the split of issuance reflected an assessment of the prevailing relative cost effectiveness of issuance at different parts of the yield curve within the wider overall context of achieving the debt management objective and taking account of the relatively high weight that the Government currently places on minimising near-term exposure to refinancing risk as far as possible.

Super-long issuance

The remit also provided that the DMO would look to launch new gilts in the 50-60 year maturity area, subject to market and demand conditions. This followed the Government's decision, announced at the AS 2012, and following a market consultation, to remove the prevailing maturity cap on gilt issuance set at around 50 years reflecting the judgement that issuance in excess of 50 years could represent cost-effective financing for the Exchequer.

The remit acknowledged, however, that the strength of demand for longer-maturity instruments was uncertain and that accordingly a cautious approach to issuance and to the extension of the yield curve was appropriate.

Other operations

There were no plans to hold any switch auctions, reverse auctions, or conversion offers in 2013-14 (and none were held).

The 2013-14 remit also provided for the continuation of the Post Auction Option Facility (PAOF), under which successful bidders (GEMMs and investors) at each auction have the option to purchase additional stock of up to 10% of the amount allocated to them at the auction within a two hour window from noon to 2.00 pm on the day of the auction.

Outturn of the 2012-13 CGNCR: 22 April 2013

On 22 April 2013 the outturn CGNCR for 2012-13 was published. At £109.5 billion the CGNCR (ex. B&B and NRAM) was £7.1 billion higher than the forecast in the March 2013 Budget.

Overall, the DMO's forecast net financing requirement for 2012-13 rose by £6.7 billion[6] compared with the position at the March Budget and the financing remit was revised as follows:

---

[6] Also reflecting an outturn for gilt sales of £0.3 billion above that forecast at Budget 2013 and an additional £0.1 billion net contribution to financing from National Savings & Investments (NS&I).

- Planned gilt sales were increased by £4.7 billion to £155.7 billion. The increase was split as follows:
    - o short conventional sales via auctions were increased by £0.3 billion to £42.9 billion;
    - o medium conventional sales via auctions were increased by £2.5 billion to £33.5 billion;
    - o long conventional sales were increased by £0.9 billion to £33.5 billion, with planned sales via auctions rising by £0.4 billion to £25.0 billion and sales via syndication rising by £0.5 billion to £8.5 billion; and
    - o index-linked sales were increased by £1.0 billion to £36.8 billion. With sales via auctions rising by £0.5 billion to £24.3 billion and sales via syndication rising by £0.5 billion to £12.5 billion.
    - o mini-tenders: the size of the programme was unchanged at £10.0 billion.
- Net Treasury bill sales were increased by £2.0 billion (resulting in a revised planned stock change of £12.8 billion) and implying an anticipated stock of £70.0 billion by end-March 2014).

Autumn Statement 2013

The Economic and Fiscal Outlook 2013 was published on 5 December 2013 by the OBR, and included new forecasts for the public finances, including the CGNCR (ex. B&B and NRAM). Alongside this, HM Treasury published the AS 2013 which included the consequent revision to the DMO’s financing remit.

The DMO’s net financing requirement for 2013-14 fell by £15.5 billion at the AS 2013 remit revision. The main factors contributing to the change were:

- reduction of £12.0 billion (to £99.0 billion) in the forecast CGNCR (ex. B&B and NRAM) for 2013-14; and
- an increase of £3.5 billion (to £3.5 billion) in the forecast net contribution to financing from NS&I.

The £15.5 billion reduction in the net financing requirement was met by:

- a reduction of £13.5 billion in net Treasury bill sales, taking the planned stock at end-March 2014 to £56.5 billion; and
- a reduction of £2.0 billion to £153.7 billion in planned gilt sales, accommodated by reducing the size of the mini-tender programme from £8.5 billion to £6.5 billion[7]

---

[7] The size of the mini-tender programme had previously been reduced from £10.0 billion to £8.5 billion as a consequence of re-allocation of mini-tender sales to the syndication programme (£ 0.75 billion on 24 September 2013 as a result of the increased size of the 0□% IL 2068 syndication and £0.75 billion on 22 October 2013 as a result of the increased size of the 3½% 2068 syndication).

In accordance with the prevailing operational rules for the PAOF, the average required sizes of gilt auctions were adjusted at the AS 2013 remit revision by the inclusion into the calculation of average auction sizes for the post-AS period of proceeds from the PAOF received in the period before the AS. Given that the auction sales targets themselves were unchanged at AS 2013, this resulted in significant reductions in required average auction sizes.

PAOF proceeds in the pre-AS 2013 period totalled £5.2 billion, split as follows:

- Short conventional £1.71 billion
- Medium conventional £1.51 billion
- Long conventional £1.24 billion
- Index-linked £0.75 billion

In addition a forward looking adjustment was made in accordance with the provisions of the remit, which specified that: “the DMO will assume that proceeds from the PAOF up to [Autumn Statement] will continue to accrue for the remainder of the financial year at the same rate per type and maturity of gilt”

Based on the pre-AS rate of take up of PAOF at AS 2013, the sums below were also deducted from the remaining auction balance of sales to meet targets. This reduced the target sums used to calculate average auction sizes:

- Short conventional £0.75 billion
- Medium conventional £0.62 billion
- Long conventional £0.24 billion
- Index-linked £0.32 billion

Table 2 below shows the impact of the PAOF on average auction sizes before and after the increase in auction targets at AS 2013.

Table 2
Adjustment to average required auction sizes at AS 2013

(£bn)	April revision	Pre- AS 2013	Post- AS 2013
Short	4.77	4.95	4.14
Medium	3.62	3.65	2.95
Long	2.50	2.64	1.90
Index-linked	1.62	1.60	1.38

Budget March 2014

The Debt and reserves management report (DRMR) 2014-15 published on 19 March 2014 alongside the Budget included a new forecast by the OBR for the 2013-14 CGNCR (ex. B&B and NRAM) of £87.5 billion, a reduction of £11.5 billion since AS 2013. The revised net financing requirement for 2013-14 was £147.4 billion.

The other main changes (since AS 2013) impacting on financing were:

- gilt sales which were estimated to be £0.3 billion lower than planned at £153.4 billion (largely because of lower than anticipated proceeds from the PAOF); and
- a £0.1 billion lower net contribution to financing from NS&I (from £3.5 billion to £3.4 billion).

The combination of these factors led to a forecast net cash position for the DMO at end-March 2013 of £11.6 billion relative to a planned net cash position of £0.5 billion. As usual in these circumstances, it was planned that the additional cash position would be run down in 2014-15 (reducing the financing requirement in that year by £11.1 billion).

Outturn CGNCR for 2013-14 and the financing outturn

An outturn CGNCR (ex. B&B and NRAM) for 2013-14 was published on 23 April 2014. At £80.6 billion, it was £6.9 billion lower than forecast at the March Budget and the net financing requirement for 2013-14 also fell accordingly to £140.5 billion. The financing position in 2013-14 was, however, further impacted by an adjustment to account for a £3.3 billion slower than anticipated drawdown of Sterling financing for the Official Reserves compared with plans.

As a result of these developments the DMO net cash position at end-March 2014 was £21.7 billion, £10.1 billion higher than forecast at Budget 2014. The short-term financing adjustment to be carried forward to the financing arithmetic in 2014-15 was £21.2 billion which reduced the net financing requirement in that financial year accordingly.

The developments in the 2013-14 financing arithmetic over the course of the financial year are shown in Table 3.

Table 3 Updates to the financing arithmetic 2013-14

Financing arithmetic 2013-14	Budget 2013	April 2013	AS 2013	Budget 2014	April 2014
Central Government Net Cash Requirement[1] (ex NRAM and B&B)	111.0	111.0	99.0	87.5	80.6
Gilt redemptions	51.5	51.5	51.5	51.5	51.5
Financing for the Official Reserves	6.0	6.0	6.0	6.0	6.0
Gilt secondary market purchases[2]	0.0	0.0	0.0	0.0	0.0
Planned short-term financing adjustment[3]	-5.6	0.0	0.0	5.8	5.8
Gross Financing Requirement	162.9	168.5	156.5	150.8	143.9
Less:					
Contribution from National Savings & Investments	0.0	0.0	3.5	3.4	3.4
Net Financing Requirement	162.9	168.5	153.0	147.4	140.5
Financed by:					
1. Debt issuance by the DMO					
a) Treasury bills (net stock change in financial year) [4]	11.9	12.8	-0.7	5.0	5.0
b) Gilt sales (planned outright sales)	151.0	155.7	153.7	153.4	153.4
Short-dated conventionals	42.6	42.9	42.9	42.6	46.1
Medium-dated conventionals	30.0	32.5	32.5	32.5	34.0
Long-dated conventionals	32.6	33.5	34.3	34.3	34.3
Index-linked	35.8	36.8	37.6	38.4	39.0
Mini-tenders	10.0	10.0	6.5	5.6	
2. Other planned changes in short term debt [5]					
Ways and Means	0.0	0.0	0.0	0.0	0.0
3. Change in the DMO short term cash position[6]	0.0	0.0	0.0	11.1	21.2
Total financing	162.9	168.5	153.0	158.4	158.4
Short-term debt levels at end of financial year					
Treasury bill stock (in market hands)	68.0	70.0	56.5	56.5	56.5
Ways and Means	0.4	0.4	0.4	0.4	0.4
DMO net cash position	0.5	0.5	0.5	11.6	21.7

1. Excluding adjustments for reclassification of Northern Rock (Asset Management) and Bradford & Bingley to central government.

2. Purchases of “rump gilts”, with a small nominal outstanding, 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.

3. To accommodate changes to the stated year’s financing requirement resulting from: (i) publication of the previous year’s CGNCR outturn, (ii) an increase in the DMO’s cash position at the Bank of England, and/or (iii) carry over of unanticipated changes to the cash position from the previous year.

4. The £5.0bn shown is the difference between the Treasury bill stock issued via tenders only at end-March 2013 (£51.5bn) and the planned Treasury bill stock issued via tenders only at end-March 2014 (£56.5bn). The equivalent numbers published at Autumn Statement (AS) 2013 included Treasury-bill sales directly to counterparties that spanned the end of the financial year. Hence, at AS 2013, planned Treasury bill sales in 2013-14 were -£0.7bn, which was the difference between a Treasury bill stock at end-March 2013 of £57.2 bn and a planned end-March 2014 stock of £56.5bn.

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

6. The £21.2bn change in the short-term cash position for 2013-14 includes a £3.3 bn adjustment to reflect the drawdown of sterling financing for the Reserves relative to plans. A positive (negative) number here indicates a reduction (increase) in the financing requirement for the following financial year.

Figures may not sum due to rounding

The DMO's gilt financing operations in 2013-14

New gilts issued

The DMO issued six new gilts in 2013-14, four conventional and two index-linked gilts, as detailed in Table 4. Two of these, the new "super-long" 2068 maturities, were launched via syndication, while the others were launched via auction.

Table 4
New gilts issued in 2013-14

First issue date	Gilt
12-Jun-13	2¼% Treasury Gilt 2023
26-Jun-13	3½% Treasury Gilt 2068
21-Aug-13	0⅛% Index-linked Treasury Gilt 2019
25-Sep-13	0⅛% Index-linked Treasury Gilt 2068
22-Nov-13	1¾% Treasury Gilt 2019
12-Mar-14	2¾% Treasury Gilt 2024

Implementing the 2013-14 remit

a) Auctions

Auctions continued to comprise the core of the DMO's gilt sales programme in 2013-14 and, together with associated proceeds from the PAOF, raised £124.5 billion, accounting for 81.1% of gilt sales. The auction calendar for the financial year as a whole is usually announced before the start of each financial year, but the choice of gilts to be sold on each date is made quarter-by-quarter following the regular quarterly cycle of consultation meetings with representatives of the GEMMs and end investors. In 2013-14 these meetings again also considered the interaction between choices over gilts to be issued via auctions and those at syndicated offerings – see below.

The consultation meetings were held in March 2013 (to discuss issuance in April-June), May 2013 (to discuss issuance in July-September), August 2013 (to discuss issuance in October-December) and December 2013 (to discuss issuance in January-March 2014).

Ahead of the meetings, the DMO published on its screens and website an agenda to steer the discussion. The morning after each meeting, summary minutes were published recording the main areas of discussion. The minutes are intended to promote transparency for those market participants unable to attend the meetings and also pave the way for the announcement of the quarterly operations calendars. The calendars, which specify the particular bonds to be sold at each auction together with advance notice of some of the details of forthcoming syndicated offerings, are published on the last business day of March, May, August and November respectively.

43 gilt auctions were held, 9 each of short and medium conventional gilts, 10 of long conventional gilts and 15 of index-linked gilts. The results of gilt auctions are available on the DMO's website at:
http://www.dmo.gov.uk/ceLogon.aspx?page=Auction_Results&rptCode=D2.1A

The average cover ratio at gilt auctions in 2013-14 was 1.77, marginally lower than the average of 1.86 in 2012-13. Cover at short and index-linked gilt auctions held steady, while there were declines on average at medium and long auctions. The average concentration of bidding at conventional gilt auctions, as measured by the

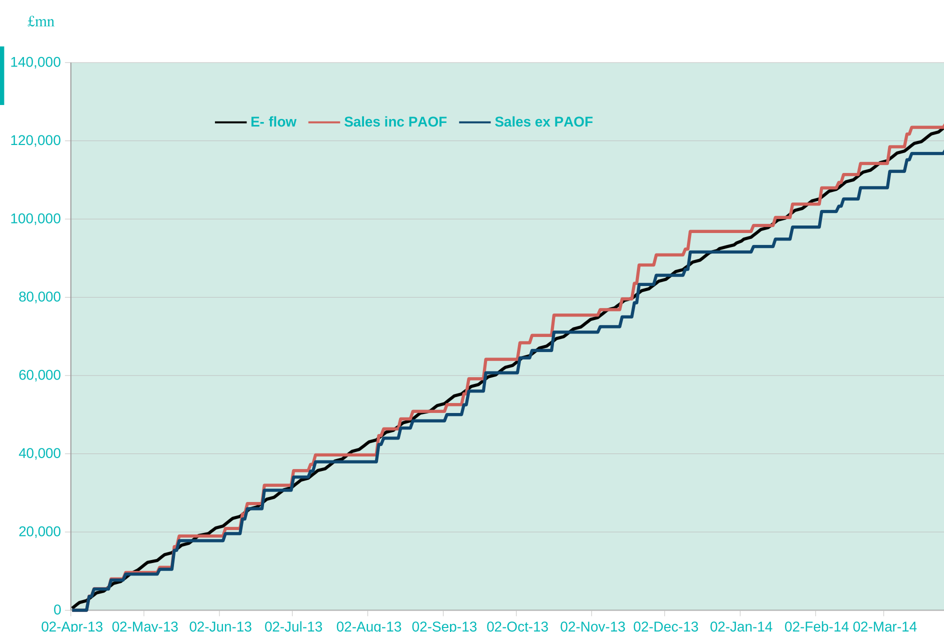
tail[8], remained high and unchanged compared to the previous year at 0.4 bps (see Table 5). These are satisfactory levels of performance.

Table 5
Auction cover and tail 2012-13 and 2013-14

Gilt auctions	Cover ratio		Tail (bps)	
	2012-13	2013-14	2012-13	2013-14
Short conventional	1.64	1.60	0.5	0.6
Medium conventional	2.03	1.77	0.2	0.2
Long conventional	1.81	1.62	0.4	0.3
Index-linked	1.97	1.98	N/A	N/A
All	1.86	1.77	0.4	0.4

Gilt auction proceeds were received on a broadly even-flow basis throughout the year as illustrated in Chart 15, which shows cumulative proceeds including and excluding proceeds from the PAOF.

Chart 15
Gilt auction evenflow



Source: DMO

Chart 15 also shows the impact of the downward adjustment to auction sizes at AS 2013 at which point previously accumulated PAOF proceeds were factored into the auction sizing calculations along with anticipated future PAOF proceeds. Consequently, auction sizes were smaller later in the financial year, which meant that the contribution made by auctions alone to meeting the overall target slipped below the even-flow pace. At the same time the contribution from PAOF proceeds filled the gap so as almost exactly to meet the overall auction sales target.

Relative to the auction sales target sales of £124.70 billion the DMO raised £124.47 billion from the combination of auctions (£117.82 billion) and PAOF (£6.65 billion): i.e. sales fell short of the plan by £0.23 billion (0.2%), mainly because proceeds from PAOF in the post-AS period (£1.46 billion) were lower than assumed at AS (£1.93 billion)

[8] The tail is the difference in basis points between the yield at the average and lowest accepted prices at multiple price auctions (conventional gilts).

b) Syndicated Offerings - and the launch of "super-long" issuance

The DMO used syndicated offerings as an integral part of the remit in 2013-14 to supplement auctions and facilitate the primary gilt distribution process. Continued usage of syndications reflected the ongoing historically high level of the financing requirement. In particular, syndicated offerings again enabled the DMO to issue more long conventional and index-linked gilts, than it judged would have been possible via the auction process alone.

The DMO announced in its remit announcement alongside Budget 2013 that it planned to use the syndication programme to launch new gilts and for re-openings of high duration gilts, with an upfront planning assumption that it would raise £20.0 billion via syndication (£8.0 billion of long conventional and £12.0 billion of index-linked gilts).

Subject to market feedback the DMO said that it envisaged holding at least four syndicated offerings (one per quarter) but that after discussion with market participants it may hold additional transactions. The remit allowed the DMO to vary the size of each syndicated sale having regard to the size and quality of end investor demand in the order book.[9]

An outline pattern for the approximate timing of syndications and the scheduling of gilt sales by type in the quarter ahead was discussed at the quarterly consultation meetings in 2013-14 and planning assumptions about the syndication programme were published in the quarterly operations calendar announcements. A greater level of precision is typically given in the announcement about the type and maturity of those sales by syndication planned closest to the date of the calendar announcement. Around two weeks in advance of the anticipated operation, a series of further DMO announcements begin, including the announcement of the appointment of the Lead Managers and the maturity of the bond to be sold.

£23.3 billion was raised through five syndicated offerings in 2013-14 (two long conventional and three index-linked operations), which was £3.3 billion more than the original plan. This reflected both an increase in the planned programme by £1.0 billion at the remit revision coinciding with the 2012-13 CGNCR outturn and £2.3 billion of re-allocations into the syndication programme from the mini-tender programme to allow increases in the sizes of three syndications in September and October 2013 and January 2014.

"Super-long" issuance

Following the remit undertaking to look to launch new gilts with maturities in the 50-60 year area, regular consultations with market participants in the early part of 2013-14 revealed a clear preference for a modest extension of the curve (consistent with the cautious approach referred to in the remit).

Market feedback suggested that any such bonds would primarily be of interest to investors in the domestic pension and insurance sectors seeking to acquire assets to match their longer-dated liabilities, but that the stock of such liabilities diminished significantly beyond the 60-year maturity area. Accordingly, an extension

---

[9] n the event that proceeds from syndications varied from plan, the mini-tender programme was designed to act as a buffer, with the size of that programme capable of being reduced if syndication sales were higher than plan or increased if syndication sales fell short of plan. In addition, in the event that the balance of sales required to meet either the long conventional or index-linked syndication targets was deemed too small to permit a viably sized final offer (despite any offsetting adjustments to the mini-tender programme), the size of the sales targets for long conventional and index-linked gilts could be increased in total by up to 10% of the size of the respective programmes.

of maturities from 50 to 55 years was widely advocated. Market feedback also indicated that it should be the conventional curve that was extended first (to assist subsequent pricing of an index-linked issue).

Two new "super-long" gilts (3½% 2068 and 0⅛% IL 2068) were launched (and subsequently re-opened) via syndication in 2013-14. Four out of the five syndications held were for "super-long" gilts, the proceeds from which accounted for 82% of the total raised via syndication.

Table 6
Syndicated gilt offerings in 2012-13

Date	Gilt	Size £mn (£mn nom)	Issue Price (£)	Issue Yield (%)	Proceeds (£mn cash)
25 Jun 13	3½% Treasury Gilt 2068	5,000	96.426	3.651	4,810
23 Jul 13	0⅛% Index-linked Treasury Gilt 2044	4,000	100.922	0.0945	4,154
24 Sep 13	0⅛% Index-linked Treasury Gilt 2068	5,000	99.370	0.137	4,957
22 Oct 13	3½% Treasury Gilt 2068	4,500	98.672	3.555	4,431
29 Jan 14	0⅛% Index-linked Treasury Gilt 2068	4,750	103.164	0.0655	4,938
					23,290

Source: DMO

c) Mini-tenders

As in 2012-13, all types and maturities of gilt were eligible for sales via the mini-tender programme in 2013-14[10].

Mini-tenders had originally been introduced in 2008-09 to target pockets of demand in specific (long conventional and index-linked) gilts as they emerged in-year. However, over the successive financial years the mini-tender programme evolved so that it also has a supporting role to the syndication programme, with the outturn size of the mini-tender programme being varied to accommodate variances in syndication proceeds. In practice, syndication proceeds in recent years have tended to exceed initial plans and the size of mini-tender programmes has been reduced accordingly.

The remit has now formalised this arrangement, with the scheduling of mini-tenders taking place depending on market demand and the progress of the syndication programme and with the DMO re-stating the prevailing planning assumption of the respective sizes of the syndication and mini-tender programmes after each syndicated offer.

The initial planned size of the mini-tender programme in 2013-14 was £10.0 billion. Following the £5.0 billion syndication of 0⅛% Index-linked Treasury Gilt 2068 on 24 September 2013, which was increased in size in response to the scale and quality of demand received, overall planned sales of index-linked gilts via syndication were increased by £0.75 billion and the size of the mini-tender programme was reduced to £9.25 billion accordingly. The mini-tender programme was further reduced by £0.75 billion to £8.5 billion following the £4.5 billion syndication of 3½% 2068 on 22 October 2013.

[10] Originally their use had been confined to long conventional and index-linked gilts only.

The size of the mini-tender programme was then reduced by £2.0 billion to £6.5 billion at the remit revision at AS 2013 and again to £5.7 billion following a larger than initially planned syndication of 0⅛% IL 2068 on 29 January 2014.

Four mini-tenders were held in 2013-14, raising £5.6 billion - as shown in Table 7. Two were of ultra-short gilts (the 2015 and 2017 maturities) which had shorter maturities than gilts the DMO would typically sell at auctions.

Table 7
Gilt mini-tenders in 2013-14

Date	Gilt	Size (£mn nom)	Cover	Proceeds (£mn)
30-Apr-13	0⅜% Index-linked Treasury Gilt 2062	500	3.07	684.1
20-May-13	4¾% Treasury Stock 2015	1,750	3.06	1,922.4
03-Dec-13	5% Treasury Stock 2025	1,250	1.99	1,489.6
25-Feb-14	1¾% Treasury Gilt 2015	1,500	1.82	1,530.2
				5,626.3

Source: DMO

Gilt sales outturn for 2013-14

The outturn for gilt sales versus the different remit targets in 2013-14 is shown in Table 8, and indicates that the DMO fell short of its overall gilt sales target by just £0.3 billion (0.2%). This is well within the bounds of operational tolerance allowed in the remit.

In aggregate the proceeds from auctions and PAOF came in £0.2bn (0.2%) below plan mainly due to lower than anticipated proceeds from the PAOF in the period after AS 2013. Sales from mini-tenders were also £0.1 billion below the final planning assumption of £5.7 billion.

Table 8
Gilt sales outturn relative to remit targets

Gilt sales outturn v remit plans 2013-14						
	Auction/PAOF/Syndication					
	Plan	Outturn	Difference	Mini-tenders	Total sales	
Short	42,900	42,639	-261	3,453	46,092	30.0%
Medium	32,500	32,542	42	1,490	34,032	22.2%
Long	34,250	34,266	16	0	34,266	22.3%
Index-linked	38,350	38,318	-32	684	39,002	25.4%
Totals	148,000	147,765	-235	5,627	153,392	
Remit total				(plan 5,700)	153,700	
Outturn sales versus remit total					-308	-0.2%

Source: DMO
(Figures may not sum due to rounding).

Operational reform

In 2013-14 the DMO implemented an update to the system which the Gilt-edged Market Makers (GEMMs) use to report their gilt positions and turnover to the DMO.

As well as implementing up-to-date secure and supported technology, the new system provides greater granularity of market intelligence as a result of turnover data now being reported on an individual gilt basis, and with a finer categorisation of client types. This will enable the DMO to calculate better quality market share statistics, and give greater confidence to the DMO in the use of the information to enhance the quality and robustness of debt management policy decisions and recommendations (relating to both the primary and secondary gilt markets).

DMO remit 2014-15 (March 2014 Budget)

The DMO remit for 2014-15 was published in the Debt and reserves management report 2014-15 on 19 March 2014 alongside the Budget.

Total debt sales by the DMO of £144.9 billion were planned in 2014-15, split as follows:

Outright gilt sales	£128.4 billion
Net Treasury bill sales	£16.5 billion

The structure of the gilt financing remit

It was intended that the gilt sales plans would be met through a combination of:

- £106.4 billion sales via 41 outright auctions; and
- £22.0 billion sales via supplementary distribution methods split as follows:
  - £17.0 billion in a programme of syndicated offerings; and
  - £5.0 billion in a programme of sales by mini-tender.

The planning assumption was that (as in previous years) sales via the syndication programme would be of long conventional and index-linked gilts only. As in the previous two financial years, all maturities and types of gilt are eligible for sale via mini-tender in 2014-15.

The following planned split of issuance was announced:

- £32.4 billion of short conventional gilt sales in 8 auctions;
- £26.9 billion of medium conventional gilt sales in 8 auctions;
- £33.1 billion of long conventional gilt sales (£24.6 billion in 10 auctions and £8.5 billion via syndicated offerings); and
- £31.0 billion of index-linked gilts sales (£22.5 billion in 15 auctions; and £8.5 billion via syndicated offerings).

In terms of delivering the remit, priority was given by the DMO to meeting the individual target cash amounts for different types and maturities of gilts. The composition of issuance methods to deliver these targets was, however, a planning assumption. In particular financing by supplementary methods (and the split

between methods) was to be dependent on market and demand conditions at the time the operations were conducted.

The supplementary distribution programme

- ### Syndicated Offerings

As in 2013-14, it is envisaged that the syndication programme will only be used to launch new bonds and for re-openings of high duration bonds.

The remit specified that the DMO envisaged holding approximately four syndicated offerings (i.e. one operation per quarter). Sizing decisions for syndications are to have regard to the size and quality of end investor demand in the order book.

The link between the respective sizes of the syndication and mini-tender programmes was maintained. The remit provided that in circumstances where the discretion to increase syndication sizes is exercised consistently, the size of the mini-tender programme would be reduced (and vice versa). In addition, in the event that a number of syndications were increased in size such that the remaining balance of sales required to reach the planned target was too small to hold viable operations at the end of each programme, then the remit allows the DMO to increase the overall size of the long conventional and index-linked syndication programmes by up to 10% (in cash terms) at the time of the final syndicated offering of each type[1]

- ### Mini-Tenders

Mini-tenders are again to be scheduled in-year, depending on market demand and the progress of the syndication programme (see above) and will be added to the calendar with at least seven working days' notice, after market consultation. Mini-tenders can be for any type or maturity of gilt.

- ### Post Auction Option Facility (PAOF)

The remit also provided for the continued application of the PAOF in 2014-15 but with a significant change to the methodology used for accounting for proceeds.

From 2014-15 any proceeds raised via the PAOF will count towards remit auction targets and be factored into auction size calculations on an auction-by-auction basis throughout the financial year (as opposed to being excluded from such calculations until the Autumn Statement). All else equal, PAOF proceeds will be used progressively to reduce implied average auction sizes throughout the year. Average auction sizes are re-stated after every auction.

Other operations

The remit also specified that the DMO has no current plans to hold any switch auctions, reverse auctions or conversion offers in 2014-15.

New gilt instruments

The remit also specified that prior to introducing any new types of gilt instrument the

---

[1] Any such increase would only be deployed, however, if the capacity to increase the size of the syndication programme through re-allocation rom the mini-tender programme had been exhausted.

DMO would consult market participants and seek HM Treasury's approval.

Treasury bill financing

The stock of Treasury bills in market hands issued by tenders was scheduled at Budget 2014 to rise by £16.5 billion in 2014-15, implying a projected stock of Treasury bills at end-March 2015 of £73.0 billion.

In-year revisions to the remit

There are two main events which may trigger revisions to the remit in any financial year:

- the publication, usually in the third week of April, of an outturn CGNCR for the previous financial year if the outturn differs from the forecast published in the Budget; and/or
- the publication, in the Autumn Statement (usually in the November-December period), of a significantly different forecast financing requirement for the prevailing financial year.

CGNCR outturn 2013-14 revision to the 2014-15 financing remit

The DMO's net financing requirement for 2014-15 fell by £3.7 billion in the remit revision coinciding with publication of the CGNCR outturn for 2013-14 on 23 April 2014. The CGNCR (ex. B&B and NRAM) outturn, at £80.6 billion was £6.9 billion lower than the Budget forecast. Other factors affecting the remit were £3.3 billion of additional financing carried forward from 2013-14 (reflecting actual drawdown of Sterling financing for the Official Reserves compared with plan) and an expected additional financing requirement for Network Rail borrowing of £6.5 billion in 2014-15.

The reduction in the financing requirement was handled by a reduction in Treasury bill sales of £2.5 billion (taking the planned end-March 2015 stock to £70.5 billion) and a reduction of planned gilt sales in 2014-15 of £1.2 billion to £127.2 billion - split as follows:

- Short conventional £0.4 billion (to £32.0 billion).
- Medium conventional £0.2 billion (to £26.7 billion).
- Long conventional £0.2 billion (to £24.4 billion).
- Index-linked gilts £0.4 billion (to £22.1 billion).

Planned sales at syndications and mini-tenders were unchanged at £17.0 billion and £5.0 billion respectively.

The remit structure following the April 2014 revision is shown in Table 9.

Table 9
Structure of the 2014-15 gilt financing remit following the 2013-14 CGNCR outturn published in April 2014

	Auction	Syndication	Mini-tender	Total
Short conventional				
£ billion	32.0			32.0
Per cent				25.2%
Medium conventional				
£ billion	26.7			26.7
Per cent				21.0%
Long conventional				
£ billion	24.4	8.5		32.9
Per cent				25.9%
Index-linked				
£ billion	22.1	8.5		30.6
Per cent				24.1%
Total £ billion	**105.2**	**17.0**	**5.0**	**127.2**
	87.2%	13.4%	3.9%	
Figures may not sum due to rounding				

Future financing projections

The Budget in March 2014 also included projections for the CGNCR as a percentage of GDP out to 2018-19. Table 10 sets out the resulting CGNCR projections in cash terms together with current redemption totals to produce illustrative gross financing projections. Note that these are not gilt sales forecasts, as they take no account of possible contributions to financing by NS&I or Treasury bill sales.

Table 10
March 2014 Budget: illustrative financing projections

(£ billion)	2015-16	2016-17	2017-18	2018-19
CGNCR exc. B&B and NRAM projections	81	68	38	10
Gilt redemptions	70	69	79	67
Financing for the Official Reserves	0	0	0	0
Illustrative gross financing requirement	**151**	**137**	**117**	**77**
Figures may not sum due to rounding.				

(Figures may not sum due to rounding).

Chapter 3: Exchequer Cash Management

Exchequer cash management remit 2013-14

The DMO's cash management remit for 2013-14, published alongside the Budget on 20 March 2013, specified that the Government's cash management objective is:

> "to ensure that sufficient funds are always available to meet any net daily central Government cash shortfall and, on any day when there is a cash surplus, to ensure this is used to best advantage".

HM Treasury and the DMO work together to achieve this, with HM Treasury providing information to the DMO about flows into and out of the National Loans Fund (NLF) and the DMO making arrangements for funding and for placing net cash positions, primarily by carrying out market operations on the basis of HM Treasury forecasts.

The DMO's cash management objective

The remit specifies that the DMO's cash management objective is to:

> "minimise the cost of offsetting the Government's net cash flows over time, while operating within a risk appetite approved by Ministers. In so doing, the DMO will seek to avoid actions or arrangements that would:
>
> - undermine the efficient functioning of the Sterling money markets; or
> - conflict with the operational requirements of the Bank of England for monetary policy implementation."

Instruments and operations used in Exchequer cash management

In 2013-14 the DMO carried out its cash management objective primarily through a combination of:

- bilateral market operations with DMO counterparties; and
- Treasury bill sales via the DMO's bilateral facility.

The average accepted yields achieved at the weekly Treasury bill tenders are assessed against the SONIA rates for the relevant maturities. These are reported in Annex B.

Variations in the stock of Treasury bills in market hands issued via tenders serve as a financing instrument within short-term debt sales. In 2013-14, Treasury bill sales contributed £5.0 billion to financing. Treasury bill tender sizes are determined with a view to meeting the end financial year target stock. Table 10 shows the split of issuance in Treasury bills by maturity at tenders over the course of the financial year.

Bilateral Treasury bill facility

Since November 2007, the DMO has had access to a facility which allows it to re-open existing Treasury bills and issue them on a bilateral basis, on request from its cash management counterparties (provided that such issuance is consistent with the DMO's cash management operational requirements). In particular, Treasury bills sold through the bilateral facility can contribute to smoothing cumulative cash positions. Monthly issuance of Treasury bills via the bilateral facility is shown in the "Other issuance" category in Table 11. At end-March 2014, £0.39 billion of Treasury bills sold bilaterally were in issue and formed part of the £56.89 billion stock in market hands on that date[2].

Table 11
Treasury bill issuance 2013-14

Month End	One Month (£ million)	Three Month (£ million)	Six Month (£ million)	Other Issuance (£ million)	Total Issuance (£ million)	Total Stock Outstanding (£ million)
Apr-13	4,000	4,000	5,000	2,246	15,246	54,652
May-13	2,500	2,000	4,000	3,508	12,008	52,891
Jun-13	3,500	2,000	4,000	6,546	16,046	49,574
Jul-13	2,500	2,500	5,000	6,656	16,656	44,731
Aug-13	2,000	2,000	4,000	7,783	15,783	43,806
Sep-13	4,500	2,500	5,000	5,495	17,495	44,801
Oct-13	2,000	2,000	4,000	1,846	9,846	41,095
Nov-13	2,000	2,000	4,000	4,513	12,513	38,795
Dec-13	2,000	2,000	4,000	1,907	9,907	37,434
Jan-14	2,000	4,000	6,000	1,436	13,436	39,656
Feb-14	2,000	4,000	6,000	1,798	13,798	42,313
Mar-14	9,000	9,000	7,500	1,994	27,494	56,892

Source: DMO

The breakdown of the Treasury bill portfolio (including amounts issued bilaterally) at end-March 2014 is shown in Table 12.

Table 12
Treasury bills outstanding at 31 March 2014

Maturity date	Size (£mn)	Maturity date	Size (£mn)
7-Apr-14	4,050	14-Jul-14	1,501
14-Apr-14	4,169	21-Jul-14	1,502
22-Apr-14	4,045	28-Jul-14	1,500
28-Apr-14	4,007	4-Aug-14	1,502
6-May-14	2,005	11-Aug-14	1,500
12-May-14	2,052	18-Aug-14	1,504
19-May-14	2,031	26-Aug-14	1,500
27-May-14	2,000	1-Sep-14	1,501
2-Jun-14	2,503	8-Sep-14	1,500
9-Jun-14	2,505	15-Sep-14	1,500
16-Jun-14	3,007	22-Sep-14	1,500
23-Jun-14	3,007	29-Sep-14	1,500
30-Jun-14	2,000	15-Dec-14	1
7-Jul-14	1,500		
		Total	56,892

Source: DMO

[16] From 2013-14 onwards Treasury Bills sold bilaterally, i.e. for cash management purposes, are excluded from end-year stock of Treasury bills reported in the financial arithmetic and thus are excluded from the contribution of Treasury bills to financing.

Bilateral cash management operations

In practice, a large majority of cash management operations in 2013-14, as in previous years, were negotiated bilaterally by the DMO with market counterparties. To ensure competitive pricing, the DMO maintains relations with a wide range of money market counterparties with whom it transacts both directly and via voice and electronic brokers.

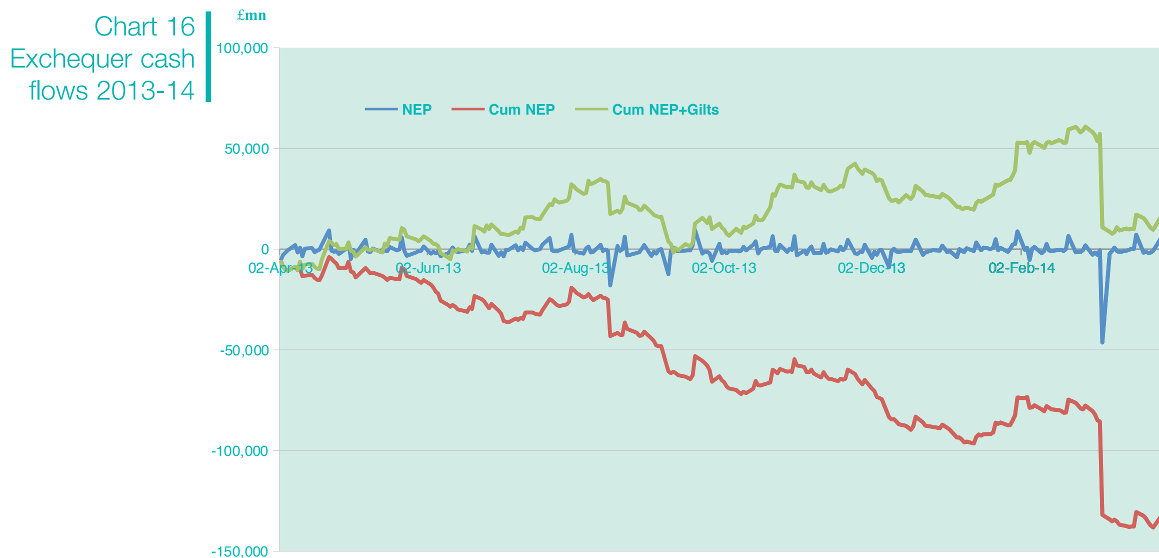
Cash management is conducted through a diversified set of money market instruments in order to minimise cost whilst operating within agreed risk limits. Sterling-denominated repo and reverse repo instruments play a particularly important role, though short cash bonds, Certificates of Deposit, Commercial Paper, reverse repo of foreign currency bonds swapped into Sterling, Unsecured Loans and deposits are also used.

The DMO's money market dealers borrow from or lend to the market on each business day to balance the position in the NLF. In order to do so the DMO receives from HM Treasury forecasts of each business day's significant cash flows into and out of central government. Additionally, the DMO obtains up-to-date intra-day monitoring of cash flows as they occur. The DMO trades only with the purpose of offsetting current and forecast future government cash flows, subject to the agreed risk limits. The DMO does not take interest rate positions, except in so far as that is necessary to offset forecast future cash flows.

Over the course of a financial year, the Exchequer's cash flow has typically had a fairly regular and predictable pattern associated with the tax receipts and expenditure cycles. Outflows associated with gilt coupons and redemptions are also known in advance.

Chart 16 shows the scale of daily cash flows measured in terms of the Net Exchequer Position (NEP) in 2013-14. It excludes the effects of Treasury bill issuance and NS&I's overall net contribution to financing, but highlights the major contribution of gilt sales to reducing the cumulative deficit in-year.

Chart 16
Exchequer cash flows 2013-14



Source: HM Treasury/DMO

Active Cash Management Performance Framework

Since 2000, the in-year cash needs of the Government have been managed actively by HM Treasury and the DMO with HM Treasury providing short and medium-term forecasts of daily net cash surpluses and deficits and the DMO transacting with its market counterparties in a range of instruments at a range of different maturities to offset the current and forecast future cumulative net cash position.

This active cash management framework allows the exercise of considerable discretion by specialist cash managers in selecting the appropriate counterparties, instruments and maturities with which to deliver the cash management remit at minimum cost subject to the agreed risk limits. The Cash Management Review of 2004-05 recommended this discretion be captured through a quantifiable measure of net interest saving as a means of enhancing effectiveness and ensuring accountability. In 2006-07 HM Treasury and the DMO announced their intention to begin formal performance reporting, commencing with the 2007-08 outturn. The results for 2013-14 are presented in Annex B under key performance indicator (KPI) 1.4.

HM Treasury and the DMO equally recognise that to measure performance solely in terms of net interest savings is a somewhat narrow interpretation that does not fully capture the ethos or the wider policy objectives the Government sets the DMO as its cash manager. Exchequer cash management differs from that of a commercial entity in that it does not seek to maximise profits, but rather to minimise costs subject to risk while playing no role in the determination of Sterling interest rates. Consequently the DMO and HM Treasury monitor and assess overall performance in meeting the Government's objectives using a number of quantitative and qualitative KPIs and controls. A full report on performance in 2013-14 is presented in Annex B.

Chapter 4: Fund management and local authority lending for Central Government

Fund management

The origins of the Commissioners for the Reduction of the National Debt (CRND) date back to the passing of the National Debt Reduction Act of 1786. From their earliest days the Commissioners had associations with the stock market and this led to a diversification of CRND operations, including in particular responsibility for the investment of major Government funds. This now constitutes the main function of CRND, which had £27.8 billion under its control at end-March 2014, representing the assets of the various investment accounts.

The investment powers differ to some extent from fund to fund, depending upon the provisions of the relevant Acts of Parliament or risk profiles agreed with Fund owners, but essentially investments are restricted to cash deposits or government-issued and government-guaranteed securities. Currently, the largest funds are the National Insurance Fund Investment Account, the Court Funds Investment Account and the National Lottery Distribution Fund Investment Account. The main funds under CRND management at end-March 2014 were as follows:

- Court Funds Investment Account
- Insolvency Services Investment Account
- National Insurance Fund Investment Account
- National Lottery Distribution Fund Investment Account
- Northern Ireland Court Service Investment Account
- Northern Ireland National Insurance Fund Investment Account, and
- Olympic Lottery Distribution Fund Investment Account.

CRND continues to provide an efficient, value for money service, with the main investment objectives being to maintain sufficient liquidity to meet withdrawals and to protect the capital value of the funds under management.

Lending to local authorities

Public Works Loan Board (PWLB) responsibilities and objectives

The Public Works Loan Board (PWLB) is an unpaid statutory body formed by the Public Works Loan Act 1875. Currently, the loan facility offered by the PWLB enable local authorities to have ready access to funding for capital purposes.

The work of the Board has always been carried out by Civil Servants and a secretariat to the Board's Commissioners has been provided by the Debt Management Office since 2002.

In April 2013, as part of the integration of PWLB work into the wider DMO, the day to day dealing transactions of PWLB, customer advice services and monthly reporting tasks were moved to a Business Operations Unit (BOU), which also has similar responsibilities in respect of Debt management Account Deposit Facility (DMADF) and CRND functions. The responsibility for collecting and reconciling PWLB loan repayments and updating PWLB static data continued to rest within the DMO Settlements area.

PWLB operations in 2013-14

In 2013-14 loans to the value of £1.6 billion were advanced, while repayments of principal in respect of outstanding loans amounted to £1.9 billion. At end-March 2014 PWLB's loan portfolio had a nominal value of £63.2 billion and a market value of £74.9 billion.

Chapter 5: The DMO

The DMO was established on 1 April 1998 and aims to be a centre of excellence for HM Treasury in the provision of policy advice on and the delivery of HM Government's financing needs, while acting as a gateway for HM Government to the wholesale financial markets.

In organisational terms, the DMO is legally and constitutionally part of HM Treasury, however, as an executive agency, it operates at arm's length from Ministers. The Chancellor of the Exchequer determines the policy and operational framework within which the DMO operates, but delegates to the Chief Executive operational decisions on debt and cash management, and day-to-day management of the office.

This policy and operational framework is encapsulated within an annual financing remit that is issued to the DMO from HM Treasury before the beginning of each financial year. The timing of this remit usually coincides with the March Budget and will specify the annual total of gilt sales planned for the forthcoming financial year and a breakdown between index-linked and conventional gilts, the latter being also broken down by maturity bands (short (1- to 7- year), medium (7- to 15- year) and long (over 15-year)).

The remit also specifies the dates of scheduled outright auctions and provides the basis for the conduct of mini-tenders, syndications, the PAOF and any switch, conversions or buy-back operations in that particular financial year.

For each sale of gilts, by whichever method, the DMO decides on the size and the choice of gilts to be offered for sale. The DMO also decides the size and maturity breakdown of Treasury bill tenders.

Opportunities exist for the DMO remit to be revised during each financial year. This usually occurs in either April when the outturn of the CGNCR for the previous financial year is published, or in Autumn when the revised forecasts for the public finances are published in the Autumn Statement.

The separate responsibilities of the Chancellor and other Treasury Ministers, the Permanent Secretary to the Treasury and the DMO's Chief Executive are set out in a published Framework Document (available on the DMO's website), which also sets out the DMO's objectives and its Chief Executive's lines of accountability. The Chief Executive is accountable to Parliament for the DMO's performance and operations, both in respect of its administrative expenditure and the Debt Management Account (DMA).

Business planning

The DMO publishes an annual Business Plan that sets out the DMO's targets and objectives for the year ahead, and the strategies for achieving them. This document also reviews the preceding year's achievements. The DMO's Business Plan is drafted taking into account the organisation's strategic objectives issued by the Chancellor of the Exchequer, which are set out in the Framework Document.

Organisation and resources

The DMO is organised flexibly to ensure that resources are available as necessary for the respective requirements of each business area, taking into account budget constraints and the priority of delivery objectives.

The DMO consists of two main operational areas: Policy & Markets and Operations & Resources. These areas are in turn split into a number of business teams across which there is substantial cross-team cooperation to ensure that both policy and operational requirements are adequately met by ensuring that the relevant skills are applied to appropriate activities and that essential operations are resourced efficiently and effectively.

The DMO's Managing Board considers all major strategic decisions and comprises the Chief Executive, the Joint Heads of Policy and Markets (one of whom is the Deputy Chief Executive), the Chief Operating Officer and three non-executive directors: Brian Larkman, Brian Duffin and an HM Treasury representative, James Richardson.

The role of the DMO's Managing Board is supplemented by a number of internal committees supporting individual business activities and overarching governance procedures. In particular, committees discuss activities relating to debt management, cash management, and fund management, which are all supported by a Credit and Market Risk Committee, an Operational Risk Committee, and a Business Delivery Committee. The DMO also has an independent audit committee that oversees matters relating to risk, internal control and governance.

Managing risk

The processes the DMO employs to manage its risks are subject to continual review and development to ensure their continued effectiveness. Of particular note has been the development of a comprehensive risk management framework to address all risks the DMO faces. This includes risk committees which cover credit and market risk, operational risk and risk controls.

Financial performance

The operational budget within which the DMO performs its functions is approved annually by Parliament and forms part of HM Treasury's Supply Estimate. The budget is approved taking into account the administrative and operational cost of running the DMO and the income received from business activities.

Details of the financial performance against this budget can be found in the DMO's Annual Report and Accounts, which is available on the DMO website[4]. This document provides separate accounts of both the DMO and the DMA, through which trading activity in gilts and the other treasury management activities of the DMO are recorded.

---

[4] http://www.dmo.gov.uk/documentview.aspx?docname=publications/annualreports/dmodmarep2014.pdf&page=Annual_Report

Operating costs

The DMO's net operating cost for 2013-14 was £17.6 million, an increase of £1.4 million from 2012-13. This increase was due to several factors including changes in costs and income.

The DMO successfully managed its operations within the expenditure limits agreed with HM Treasury and voted by Parliament.

The DMO's contribution to the Government's activities to support financial markets and the UK banking sector

During 2012-13, the DMO continued to undertake a range of activities at the request of HM Treasury that had been put in place to help stabilise financial markets, support the UK banking sector and to help businesses access cheaper finance. This involved participation in a number of schemes (as listed below) alongside HM Treasury and the Bank of England.

i) National Loan Guarantee Scheme (NLGS)

On 20 March 2012, HM Treasury launched the National Loan Guarantee Scheme. The scheme is designed to help businesses access cheaper finance by reducing the cost of bank loans under the scheme by 1 percentage point. To be able to benefit from the scheme, businesses with a turnover of not more than £50[5] million should apply for loans at a participating bank. The scheme works by providing banks with up to £20 billion of guarantees to issue unsecured debt, thereby enabling them to borrow at a cheaper rate. The banks then pass on all the benefit that they receive to smaller businesses through cheaper loans.

The DMO has worked with the participating banks to confirm that the debt instruments that they propose to issue, in order to raise funds to finance loans under the scheme, meet the legal and other requirements to qualify for a government guarantee. Once confirmed, the DMO issues a Guarantee Certificate, on behalf of HM Treasury, for each qualifying debt instrument. The DMO also works with HM Treasury on the collection of lending data under the Scheme and the process for ensuring participating banks are complying with the scheme rules.

ii) Funding for Lending Scheme (FLS)

On 13 July 2012, the Bank of England and HM Treasury launched the Funding for Lending Scheme. The scheme was designed to reduce funding costs for banks and building societies so that they could make loans cheaper and more easily available to UK households and non-financial companies. The DMO facilitates this operation by purchasing Treasury bills issued by the NLF and lending them to the Bank of England when required.

UK Sovereign Sukuk

The Prime Minister announced at the World Islamic Economic Forum in October 2013 that HM Treasury was working on the practicalities of issuing £200m of sovereign Sukuk (Islamic bonds). In the following months, the DMO worked alongside HM Treasury in taking this initiative forward.

---

[5] Since July 2012, £250 million.

Key milestones in the development of the structure of issuance were the appointment by HM Treasury of external advisors HSBC and Linklaters in January 2014; and the appointment of further syndicate banks (Barwa Bank, CIMB, the National Bank of Abu Dhabi and Standard Chartered, working alongside HSBC) in June 2014.

On 25 June 2014, the government launched £200 million of Sukuk by syndication, making it the first country outside the Islamic world to issue sovereign Sukuk. The Sukuk issue received very strong demand, with orders totalling around £2.3 billion, and allocations were made to a wide range of investors including sovereign wealth funds, central banks and domestic and international financial institutions. Investors from the major centres for Islamic finance in the Middle East, Asia and Britain were all represented in the final allocation. It was priced flat to the reference gilt, with a profit rate of 2.036%.

The certificates will receive the fixed periodic distribution amount at six monthly intervals and will mature on 22 July 2019.

Annexes:

A) List of GEMMs and Inter Dealer Brokers (IDBs) at 31 March 2014

B) Debt and cash management performance

C) The gilt portfolio

A: List of GEMMs and IDBs at 31 March 2014

(All are market-makers in both conventional and index-linked gilts)

GEMM	Website
BofA Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ	www.baml.com
Barclays Bank plc^ 5 The North Colonnade Canary Wharf London E14 4BB	www.barclays.com
BNP Paribas (London Branch) 10 Harewood Avenue London NW1 6AA	www.bnpparibas.com
Citigroup Global Markets Limited Citigroup Centre 33 Canada Square London E14 5LB	www.citigroup.com
Credit Suisse Securities One Cabot Square London E14 4QJ	www.credit-suisse.com
Deutsche Bank AG (London Branch) Winchester House 1 Great Winchester Street London EC2N 2DB	https://gm-secure.db.com
Goldman Sachs International Bank Peterborough Court 133 Fleet Street London EC4A 2BB	www.gs.com

HSBC Bank PLC^ www.hsbcgroup.com
8 Canada Square
London
E14 5HQ

Jefferies International Limited* www.jefferies.com
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

JP Morgan Securities PLC www.jpmorgan.com
25 Bank Street
Canary Wharf
London
E14 5JP

Lloyds Bank plc www.lloydsbankcommercial.com
25 Gresham Street
London
EC2V 7AE

Morgan Stanley & Co. International plc www.morganstanley.com
20 Cabot Square
Canary Wharf
London
E14 4QW

Nomura International plc www.nomura.com
One Angel Lane
London
EC4R 3AB

Royal Bank of Canada Europe Limited www.rbccm.com
Thames Court
One Queenhithe
London
EC4V 4DE

Royal Bank of Scotland^ www.rbsmarkets.com
135 Bishopsgate
London
EC2M 3UR

Santander Global Banking & Markets UK www.santander.com
2 Triton Square
Regent's Place
London
NW1 3AN

Scotiabank Europe plc
201 Bishopsgate
London
EC2M 3NS
www.scotiabank.com

Societe General Corporate & Investment Banking
SG House
41 Tower Hill
London
EC3N 4SG
www.sgcib.com

The Toronto-Dominion Bank (London Branch)*
60 Threadneedle Street
London
EC2R 8AP
www.td.com

UBS Limited
1 Finsbury Avenue
London
EC2M 2PP
www.ubs.com/investmentbank/

Winterflood Securities Limited*^
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
www.wins.co.uk

* Retail GEMM
^ Strips market participant

Inter Dealer Brokers

BGC Brokers L.P
One Churchill Place
Canary Wharf
London
E14 5RD
www.bgcpartners.com

BrokerTec Europe Limited
2 Broadgate
London
EC2M 7UR
www.icap.com

Dowgate
6th Floor
Candlewick House
120 Cannon Street
London
EC4N 6AS
www.ksbb.com

GFI Securities
1 Snowden Street
London
EC2A 2DQ
www.gfigroup.com

ICAP WCLK Limited
2 Broadgate
London
EC2M 7UR
www.icap.com

Tullett Prebon Gilts
155 Bishopsgate
London
EC2N 3DA
www.tulletprebon.com

B: Debt and cash management performance

This Annex includes data on performance of the DMO's execution of the gilt financing remit and Exchequer cash management remits in 2013-14.

The gilt data compares the actual cost of gilt issuance (measured by the average yield at which gilts were sold as prescribed by the DMO's financing remit) with illustrative counterfactual costs of different patterns of gilt financing; it also looks at the performance of gilt auctions by comparing the average accepted/strike price of an auction with secondary market price levels.

Table 5 on page 23 of this Review reports on the average cover ratios at all gilt auctions in 2013-14 and on the concentration of bidding (the tail) at conventional gilt auctions.

The cash management material comprises a formal report on compliance with the DMO's published Key Performance Indicators (KPIs) in respect of Exchequer cash management and a comparison of the average yields achieved at weekly Treasury bill tenders with the prevailing SONIA rate for comparable maturities.

Other aspects of the DMO's performance each financial year are reported in the DMO's Annual Report and Accounts[6] - these comprise (page references refer to the 2013-14 Accounts published on 16 July 2014):

- A review of the DMO's main activities (pages 18-21);
- A report on achievements against agency objectives as set by HM Treasury (pages 22-23);
- A report on performance against agency targets (pages 24-27), including:
    - Compliance with the financing remit.
    - Gilt and Treasury bill operation results - release times.
    - Accuracy of the recording of transactions through the Debt Management Account.
    - Compliance with the Freedom of Information Act.
    - Avoidance of breaches of operational notices.
    - Compliance with the schedule for reporting cash management operational balances.
    - Accurate and timely administration of settlement procedures.
    - Accuracy of publications and timeliness of announcements.
    - Timeliness of processing of local authority loan and early repayment applications.
    - Appropriate operation of the DMO (retail) gilt purchase and sales service.
    - Appropriate administration of the National Loan Guarantee Scheme.

[6] The Annual Report & Accounts for 2013-14 are available at:
http://www.dmo.gov.uk/documentview.aspx?docname=publications/annualreports/dmodmarep2014.pdf&page=Annual_Report

Gilt issuance counterfactuals

The DMO has published the results of its measurement of relative performance of outright issuance in each financial year against counterfactuals in its Annual Reviews since 2001. Although the UK's debt management objective is concerned with minimising the cost of issuance "over the long term" rather than in any one year, the intention here is to illustrate whether different non-discretionary issuance patterns during a particular year could have resulted in higher or lower costs of financing.

The calculations compare the cash weighted yield of actual issuance with the yield on various counterfactual issuance patterns but on the basis of a key assumption that the different issuance patterns modelled would not have impacted the levels of yields relative to those achieved in practice (see below).

There are a number of limitations to this analysis. In particular, a major assumption that is unlikely to hold in practise is that the shape of the yield curve remains fixed over time. This is particularly relevant when considering the refinancing timeframes associated with different maturities of debt (i.e. short issuance needs to be refinanced much more frequently than long issuance) so this analysis is not comparing like-for-like in this regard. In principle therefore if yields evolve as reflected by the forward yield curve it would be too simplistic to say that in any one year one issuance pattern has outperformed another.

Another relevant assumption is that the counterfactual issuance patterns themselves would not have had any impact on yields. This is unlikely to hold in practice particularly where the gilt issuance pattern under the counterfactual is significantly different from actual issuance (e.g. a heavy skew to a certain maturity). Whilst it is likely, certainly over the medium to longer-term, that the greatest influences on the level of yields will be macro economic conditions, market expectations of interest rates, and other external factors over which the debt manager has no control, establishing the extent to which changes in volumes and patterns of supply might affect yields is more difficult.

The underlying rationale for considering issuance performance against counterfactuals is that it provides one means by which to analyse the performance of the debt management authorities in achieving the debt management objective, in particular regarding the decisions on the split between maturities/types of gilt sold in a given year. It is worth noting in this context that measuring performance against the primary debt management objective is not straightforward, a fact widely acknowledged by many other sovereign debt managers. Hence, presentation of annual counterfactuals should not be interpreted as a complete or authoritative means by which to test achievement against the debt management objective – which as noted above is a long-term test.

For these reasons, caution is required when interpreting the yield impact of counterfactual issuance patterns set out in this annex in comparison with the actual issuance yield.

The cash weighted average yield of actual issuance at the gilt auctions, syndicated offerings and mini-tenders in 2013-14 was 2.525%[7] (43.3 bps higher than 2.092% in the previous financial year). The cash weighted average yield of issuance by type of gilt and maturity is shown in Table B1.

Table B1
Average issuance yield by type and maturity of gilt 2013-14

Gilt type	Cash	%
All issuance	153,391	2.525
By maturity		
Short (Conv+ILG)	51,637	1.596
Medium (Conv+ILG)	40,961	2.593
Long (Conv+ILG)	60,793	3.270
Conventional		
Short	46,092	1.547
Medium	34,031	2.643
Long	34,266	3.485
Total conventional	114,389	2.453
Index-linked		
Short	5,545	2.003
Medium	6,930	2.351
Long	26,527	2.991
Total Index-linked	39,002	2.452

The actual yield of 2.525% can be compared with yields derived by applying the actual annual cash weighted yield of different maturities/types of gilt to different gilt issuance patterns. Table B2 contrasts the actual average issuance yield in 2013-14 with three counterfactuals which assumerespectively:

a) a completely even-distribution approach to financing;
b) a significantly greater skew towards long issuance; and
c) a significantly greater skew towards short issuance.

Table B2
Illustrative average issuance yields assuming different issuance patterns

	Actual Cash	Ave yield		Skew short cash	Neutral cash	Skew long cash
Short	46,092	1.547		100,000	38,348	17,500
Medium	34,031	2.643		17,500	38,348	17,500
Long	34,266	3.485		17,500	38,348	100,000
Index-linked	39,002	2.452		18,391	38,348	18,391
	153,391	**2.525**		153,391	153,391	153,391
		Counterfactual yield		**2.001**	**2.532**	**3.044**
		Difference (bps)		**-52.4**	**0.6**	**51.9**

An even-split approach to financing by maturity produces an average yield of issuance very close to actual (0.6 bps higher). The skews much longer and shorter both produce implied yields around 50 bpss away from actual - with the bias shorter 52.4 bps lower and the bias longer 51.9 bps higher - reflecting the upward slope of the yield curve.

[7] Index-linked real yields have been converted to nominal equivalents, assuming 3% RPI inflation.

The results from counterfactual modelling of this kind need to be considered in the context of an objective that requires the DMO (and many other sovereign issuers with similar objectives) to pursue policies designed to minimise long-term cost whilst taking account of the risks to which debt issuance exposes the Exchequer – i.e. the DMO does not seek exclusively to minimise yield at the expense of other considerations. In order to determine the maturity and composition of debt issuance, the government takes into account a number of factors including:

- the government's own appetite for risk, both nominal and real;
- the shape of both the nominal and real yield curves; and
- investors' demand for gilts.

a) Auction concession analysis

There are a number of ways to measure auction concessions. The method presented in Table B3 shows the extent of any concession/premium in the immediate run up to auctions by measuring the difference between the actual proceeds received and those that would have been generated had each auction been priced at the close of business reference price on the previous day.

Table B3
Concessions (-) and premia ahead of gilt auctions in 2013-14

Date	Gilt	concession (-)/ premium (£mn)
09-Apr-13	1¾% Treasury Gilt 2022	-12.3
11-Apr-13	0⅛% Index-linked Treasury Gilt 2024	8.2
18-Apr-13	3¼% Treasury Gilt 2044	-7.0
24-Apr-13	0⅛% Index-linked Treasury Gilt 2029	-6.5
08-May-13	0⅛% Index-linked Treasury Gilt 2044	8.6
14-May-13	1¼% Treasury Gilt 2018	-1.9
16-May-13	3¼% Treasury Gilt 2044	6.0
04-Jun-13	0⅛% Index-linked Treasury Gilt 2024	-5.0
11-Jun-13	2¼% Treasury Gilt 2023	-24.4
13-Jun-13	4¼% Treasury Stock 2032	6.1
20-Jun-13	1¼% Treasury Gilt 2018	-44.2
02-Jul-13	2¼% Treasury Gilt 2023	7.0
09-Jul-13	0⅛% Index-linked Treasury Gilt 2029	-11.8
11-Jul-13	3¼% Treasury Gilt 2044	13.0
06-Aug-13	1¼% Treasury Gilt 2018	-7.2
08-Aug-13	0¾% Index-linked Treasury Gilt 2034	-1.9
15-Aug-13	4½% Treasury Gilt 2034	-7.4
20-Aug-13	0⅛% Index-linked Treasury Gilt 2019	2.5
03-Sep-13	0⅛% Index-linked Treasury Gilt 2024	3.1
10-Sep-13	3¼% Treasury Gilt 2044	-30.0
12-Sep-13	2¼% Treasury Gilt 2023	9.4
19-Sep-13	1¼% Treasury Gilt 2018	32.8
03-Oct-13	2¼% Treasury Gilt 2023	-13.2
08-Oct-13	0⅛% Index-linked Treasury Gilt 2019	1.9
17-Oct-13	1¼% Treasury Gilt 2018	10.5
05-Nov-13	0¼% Index-linked Treasury Gilt 2052	-4.5
14-Nov-13	4¼% Treasury Stock 2036	-4.1
19-Nov-13	2¼% Treasury Gilt 2023	-3.8
21-Nov-13	1¾% Treasury Gilt 2019	-18.1
28-Nov-13	3¼% Treasury Gilt 2044	-10.5
10-Dec-13	0¾% Index-linked Treasury Gilt 2047	1.7
12-Dec-13	1¾% Treasury Gilt 2019	-2.7
07-Jan-14	0⅛% Index-linked Treasury Gilt 2029	4.2
16-Jan-14	3¼% Treasury Gilt 2044	1.8
23-Jan-14	2¼% Treasury Gilt 2023	0.7
04-Feb-14	1¾% Treasury Gilt 2019	3.6
11-Feb-14	0⅛% Index-linked Treasury Gilt 2024	1.3
13-Feb-14	3¾% Treasury Gilt 2052	10.2
20-Feb-14	2¼% Treasury Gilt 2023	-0.3
04-Mar-14	1¾% Treasury Gilt 2019	2.6
11-Mar-14	2¾%Treasury Gilt 2024	-0.3
13-Mar-14	0⅛% Index-linked Treasury Gilt 2019	1.8
27-Mar-14	0¼% Index-linked Treasury Gilt 2052	1.4
	Aggregate all auctions	-78.5
	Average all auctions	-1.8
	Average conventional auctions	-3.0
	Short-dated conventional auctions	-2.7
	Medium-dated conventional auctions	-4.1
	Long-dated conventional auctions	-2.2
	Average Index-linked auctions	0.3

Premia were experienced on this measure at 21 of the 43 auctions in 2013-14 (average £6.4 million) and concessions (average £9.7 million) at 22 auctions. The average concession across all auctions was £1.8 million (compared with £2.6 million in the previous financial year). The aggregate concession across all auctions was £78.5 million compared with £114.6 million in 2012-13.

The largest premium was £32.8 million at the auction of 1¼% 2018 on 19 September 2013 and the largest concession was £44.2 million at the auction of the same gilt on 20 June 2013. The largest average concessions were at medium auctions (£4.1 million). There was a small (£0.3 million) average premium at index-linked auctions.

The DMO's cash management objective: performance report

The DMO's high level cash management objective as set out in Chapter 3 has been subdivided into a series of objectives, to each of which has been attached a Key Performance Indicator (KPI). The following section explains how performance has been delivered against these objectives in 2013-14.

Objective 1.1: DMO must supply sufficient cash each day to enable government to meet its payment obligations. This is fundamental and unconditional.

The core requirement of Exchequer cash management is to secure the day to day funding of Exchequer cash needs. This objective is supported by HM Treasury's daily net cash flow forecasts for 19 weeks ahead and intraday updates of same-day scheduled expenditure and revenue flows. The DMO cash dealers raise and place current and future anticipated net daily balances in the Debt Management Account (DMA) with counterparties in the Sterling money markets, transacting in a range of instruments and at a range of different maturities to smooth the profile of the forecast cumulative net cash position

Table B5
Components of the cash management objective

CASH MANAGEMENT OBJECTIVE	KEY PERFORMANCE INDICATORS & CONTROLS
The Debt Management Office (DMO) must supply sufficient cash each day to enable government to meet its payment obligations. This is fundamental and unconditional.	Ways and Means transfers must be avoided for cash management purposes by ensuring that there is always a positive Debt Management Account (DMA) balance. (NB: HM Treasury is responsible for monitoring and reporting performance of the forecasting function against outturns).
Cash management operations and arrangements should be conducted in a way that does not interfere with monetary policy operations.	The DMO will conduct market operations with a view to achieving, within a very small range, the weekly cumulative target balance for the DMA at the Bank of England. The DMO will maintain formal and informal channels of communication with the Bank on conditions in the Sterling money markets. The DMO will seek to avoid holding weekly or ad hoc Treasury bill tenders when the Bank conducts its weekly open market operations
Cash management operations and arrangements should be conducted without impeding the efficient working of the Sterling money markets.	The DMO will advise HM Treasury as appropriate on the impact of Exchequer cash flows on liquidity conditions in the Sterling money markets
The DMO should maintain a system in which the costs and risks are transparent, measured and monitored and the performance of government cash management is assessed. The DMO maintains an ethos of cost minimisation rather than profit maximisation.	The DMO will report to HM Treasury on a quarterly basis the details of its cash management activity, its active management performance against the Government's marginal cost of funds and the market and credit risks incurred. Performance may also be reported in the DMO Annual Review.
The DMO should maintain a credible reputation in the market that leads to lower costs in the long term and a cash management system that is sustainable.	The DMO should maintain channels of communication with money market participants and Treasury bill counterparties both formally and informally to explain, as far as possible, the nature and intent of its operations in the money markets. The DMO should monitor compliance with its operational notices; provide complete, accurate and timely instructions to counterparties, agents, external systems and operators; and achieve the successful settlement of agreed trades on the due date.

The DMA is used to manage the Exchequer's net cash position. Balances in central government accounts contained within the Exchequer pyramid are swept on a daily basis into the NLF and the DMA is required to offset the resultant NLF balance through its borrowing and lending in the money markets. The DMA is held at the Bank of England and a positive end of day balance must be maintained at all times; it cannot be overdrawn. Automatic transfers from a Government Ways and Means (II) account at the Bank of England would offset any negative end of day balances, though it is an objective to minimise such transfers. Thus, evidence of meeting this objective is provided by reference to the number of occasions the DMA goes overdrawn.

KPI 1.1: Ways and Means end-of-day transfers for cash management purposes must be avoided by ensuring that there is always a positive DMA balance.

- The DMO ensured a positive end-of-day DMA balance for the vast majority of 2013-14. However, the DMA went overdrawn on 11 July 2013 and also between 24 January and 26 January 2014 (as a result of exceptional circumstances) thereby requiring temporary Ways and Means (II) transfers from the Bank of England.

Objective 1.2: Cash management operations and arrangements should be conducted in a way that does not conflict with the operational requirements of the Bank of England for monetary policy implementation.

The DMA target balance at the Bank of England serves solely as a buffer against unexpected payments that occur after the wholesale money markets have closed for same-day settlement. It serves to mitigate the risk of going overdrawn. All changes to the daily net cash forecast that occur before markets are closed should be transacted by DMO cash dealers with market counterparties. The DMO cash forecasters are required to notify the Bank of England, in advance of its weekly round of open market operations, of the weekly target balance on the DMA for the week ahead. This contributes to the forecast money market shortage and hence it is important that actual cumulative end-of-day balances do not differ significantly from target.

KPI 1.2: The DMO will conduct market operations with a view to achieving, within a very small range, the weekly cumulative target balance for the DMA at the Bank of England. The DMO will maintain formal and informal channels of communication with the Bank on conditions in the Sterling money markets. The DMO will seek to avoid holding weekly or ad hoc Treasury bill tenders when the Bank conducts its weekly open market operations.

- The DMO achieved its target weekly cumulative balance for the DMA within a very small range (+/-2% of its weekly cumulative target) on 39 out of 52 weeks in 2013-14. In all cases, balances outside this range related to events beyond the DMO's control, largely unexpected late cash flows either on the final day of the week or over long weekends. All significant known daily and forecast cumulative weekly variations from target were notified to the Bank of England in a timely fashion. The DMO and the Bank held regular meetings to review the operation of these arrangements.
- No cash management operations were undertaken that by their nature or timing could be perceived as clashing with the Bank's open market operations.

Objective 1.3: Cash management operations and arrangements should be conducted to avoid undermining the efficient functioning of the Sterling money markets.

While this objective is difficult to capture in a KPI, the DMO interprets this as a responsibility to seek to minimise the impact of individual daily flows on the Sterling money markets while ensuring it deals at competitive prices. The DMO operates as a customer at the core of the money markets, seeking to ensure the widest possible access to maturities, instruments, trading arrangements and counterparties across which to diversify its cash management operations. Limits have been set on the amount of dealing with individual counterparties and in individual instruments; exposure to Sterling overnight liquidity and Sterling interest rates are also subject to limits. In accordance with objective 1.3, limits and controls are intended to avoid concentration of exposures and are reviewed regularly to ensure consistency with market trends and developments; they find their expression in KPI 1.3.

KPI 1.3: The DMO will advise HM Treasury as appropriate on the impact of Exchequer cash flows on liquidity conditions in the Sterling money markets.

- Throughout 2013-14, the DMO undertook regular formal and informal communication with the Bank of England, money market counterparties, and industry groups to assess liquidity in the Sterling money markets. It also maintained frequent and regular dialogue to update HM Treasury on market liquidity and, working with HM Treasury, reviewed its trading policies and risk controls to respond to significant Sterling liquidity trends and developments.

Objective 1.4: The DMO should maintain a system in which the costs and risks are transparent, measured and monitored and the performance of government cash management is assessed. The DMO maintains an ethos of cost minimisation rather than profit maximisation.

The active cash management framework encompasses a series of quantitative liquidity, interest rate, foreign exchange and credit risk limits that together reflect the government's risk preferences and are designed to be consistent with the wider policy objectives the Government sets its cash manager.

Under the current approach active cash performance is measured and evaluated directly by comparing actual net interest paid and received with cost of funds (i.e. deducting net interest on daily balances at the Bank of England repo rate and deducting transaction and management costs).

KPI 1.4: The DMO will report to HM Treasury on a quarterly basis the details of its cash management activity, including active cash management performance after cost of funds and the liquidity, interest rate, foreign exchange and credit risks incurred. Performance may also be reported in the DMO Annual Review.

- The DMO reports to the Treasury on a quarterly cycle the details of its cash management activity, including active management performance and usage of liquidity, interest rate, foreign exchange and credit risk limits.

- Net returns (over cost of funds) will be affected by market conditions and the size and volatility of the Exchequer's cumulative cash position, both of which will vary significantly over time.

- Results should be interpreted in the context of the Government's ethos of cost minimisation and not profit maximisation: cash transactions are solely intended to smooth a given cash flow profile over time and across products and instruments, within agreed risk parameters, and are not intended to seek opportunities to generate excess return.

- Active cash management earned positive net interest after cost of funds, but before transaction and management costs, of £12.1 million for 2013-14 compared with £33.9 million for 2012-13. The DMO's estimated transaction and management costs during the financial year were £9.1 million.

- Positive net interest after cost of funds has been earned by virtue of funding the Exchequer's daily cash needs in the wholesale money markets at rates that have been on average significantly below the prevailing Bank of England Bank Rate and from investing surpluses at market rates that were on average marginally below Bank Rate.

- There were no breaches of the credit, interest rate, foreign exchange or liquidity risk limits in 2013-14.

Objective 1.5: The DMO should maintain a credible reputation in the market that leads to lower costs in the long term and a system that is sustainable.

The DMO seeks to maintain and enhance its reputation in the market by being open, transparent and consistent about the aims and intentions of its operations and transactions. This has allowed it to continue to widen its market and counterparty access and to deal at fair and competitive rates.

In addition, DMO personnel, processes and internal systems have to be capable of complying with market standards and following market practice in respect of speed and accuracy in negotiation, clearing and settlement of trades.

KPI 1.5: The DMO should maintain channels of communication with money market participants and Treasury bill counterparties both formally and informally to explain, as far as possible, the nature and intent of its operations in the money markets. The DMO should monitor compliance with its operational notices; provide complete, accurate and timely instructions to counterparties, agents, external systems and operators; and achieve the successful settlement of agreed trades on the due date.

- As stated in KPI 1.3 above, in 2013-14 the DMO maintained an active and open dialogue with cash counterparties and other market stakeholders to explain its cash management approach and strategy and to explain the context for and receive feedback on Treasury bill tenders and other market operations.

- There were no breaches of cash management operational targets for trade settlement (percentage by value on the due date) or announcement of Treasury bill tender results (6 minutes). There were no breaches of the cash management operational notice in 2013-14.

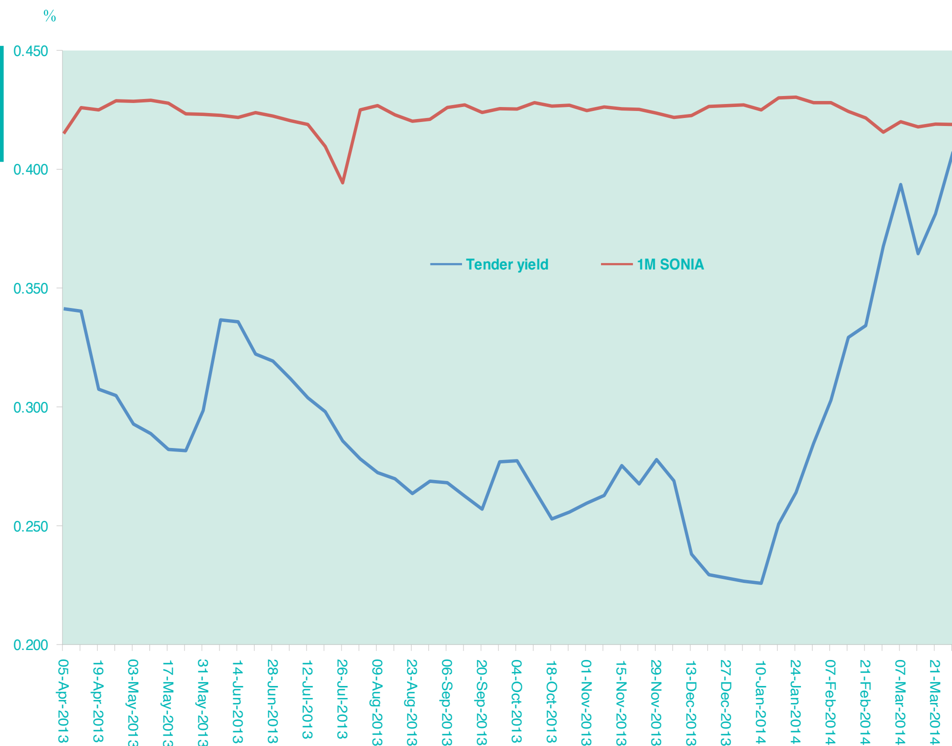
Treasury bill tender performance

Table B6 and Charts B1-3 compare the results (in terms of the average accepted yield) of all Treasury bill tenders held in 2013-14 with the corresponding SONIA rates. Over the financial year the average accepted yields at the tenders out-performed the corresponding SONIA rates by between 5.2 to 13.1 bps. The relative performance of tenders deteriorated in Q4 of the financial year, in part reflecting larger tender sizes.

Table B6
Comparison of average tender yields with SONIA rates in 2013-14

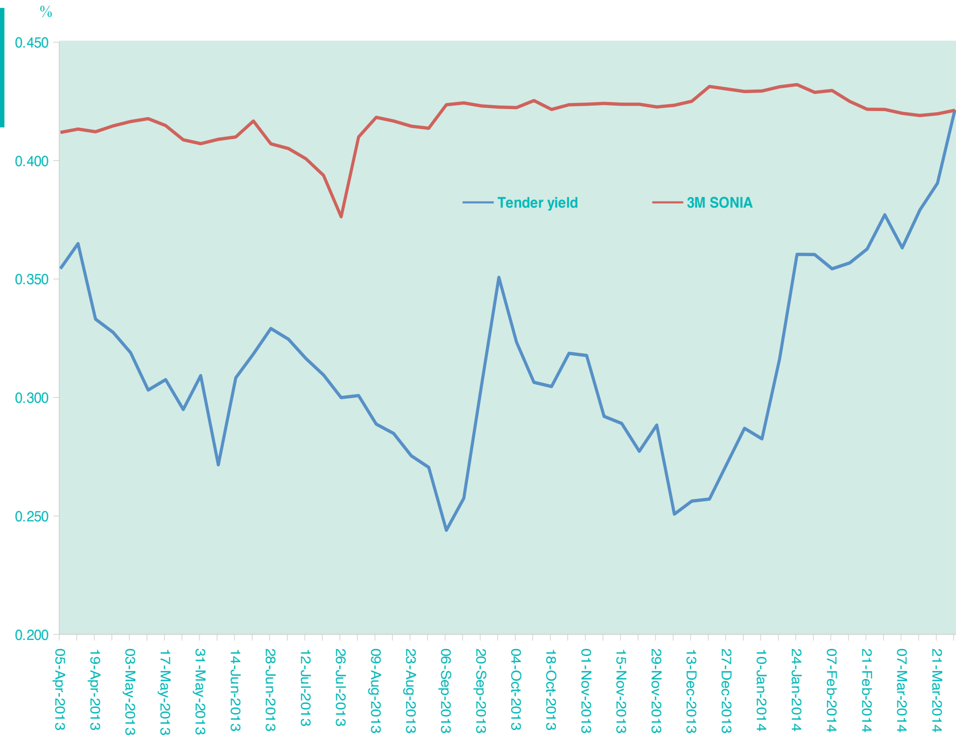
	Average tender yield (%)	Average SONIA rate (%)	Difference (bps)
One-month	0.293	0.423	-13.1
Three-month	0.315	0.418	-10.3
Six-month	0.362	0.414	-5.2
Average	0.323	0.418	-9.5

Chart B1
One-month tender yields compared with SONIA rates in 2013-14



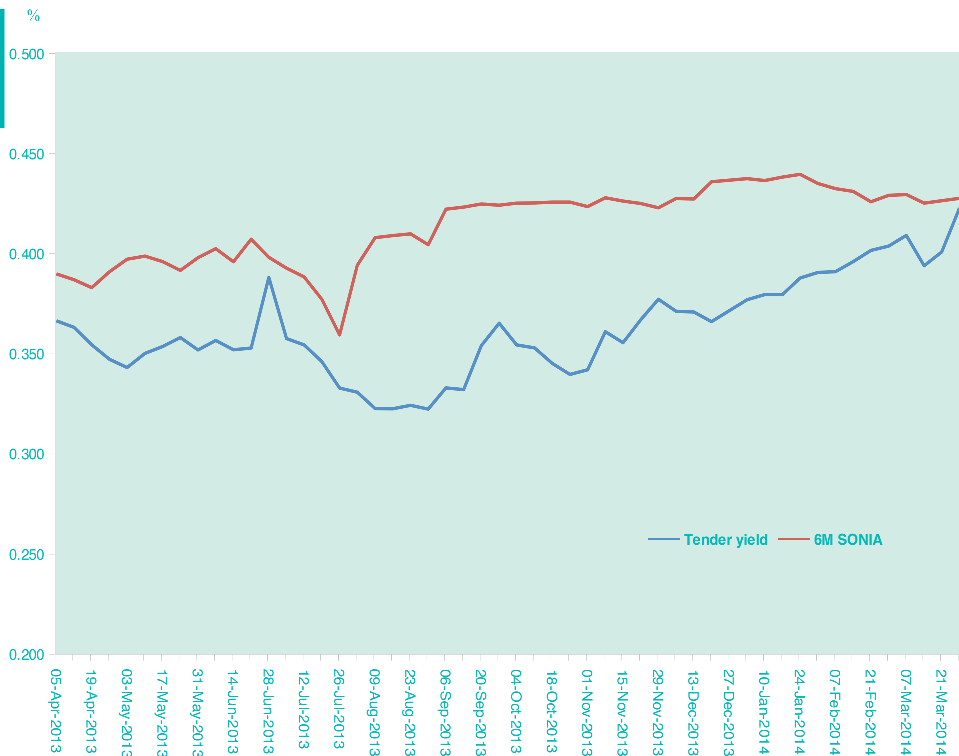
Source: DMO/Bloomberg

Chart B2
Three-month tender yields compared with SONIA rates in 2013-14



Source: DMO/Bloomberg

Chart B3
Six-month tender yields compared with SONIA rates in 2013-14



Source: DMO/Bloomberg

C: The gilt portfolio

The gilt portfolio

The key statistics of the gilt portfolio at end-March 2014 compared with the position at the end of the previous financial year are shown in Table C1 below. Figures in the net columns next to the nominal and market values of the gilt portfolio are the corresponding totals excluding central government holdings.

Table C1
Key gilt portfolio statistics

	End-March 2013		End-March 2014	
	Gross	Net	Gross	Net
Nominal value of the debt portfolio - inc T-bills (£bn):	1,326.31	1,199.70	1,421.92	1,301.24
Nominal value of the gilt portfolio (£bn) :	1,269.07	1,142.46	1,365.02	1,244.35
- conventional gilts:	967.56	853.34	1,039.04	928.90
- index-linked gilts:	301.51	289.12	325.98	315.45
Market value of the debt portfolio - inc -T-bills (£bn):	1,603.74	1,444.54	1,603.00	1,460.62
Market value of the gilt portfolio (£bn):	1,546.54	1,387.35	1,546.15	1,403.77
- conventional gilts (£bn)	1,149.60	1,007.06	1,150.62	1,021.69
- index-linked gilts (£bn)	396.94	380.29	395.54	382.08
Weighted average market yields				
- conventional gilts:	1.65%	1.63%	2.33%	2.32%
- index-linked gilts:	-0.93%	-0.91%	-0.35%	-0.34%
Portfolio average maturity - inc Tbills (years)	14.86	14.91	14.91	15.00
Portfolio average maturity - exc Tbills (years)	15.40	15.52	15.45	15.60
- conventional gilts (years)	13.88	13.75	13.55	13.46
- index-linked gilts (years)	19.78	20.19	20.98	21.33
Average modified duration				
- conventional gilts(years)	9.19	9.12	8.96	8.91
- index-linked gilts (years)	19.00	19.33	19.21	19.55

A list of gilts, including first issue and coupon dates and nominal amounts outstanding (updated daily) is available on the DMO website at:
http://www.dmo.gov.uk/ceLogon.aspx?page=D1A&rptCode=D1A

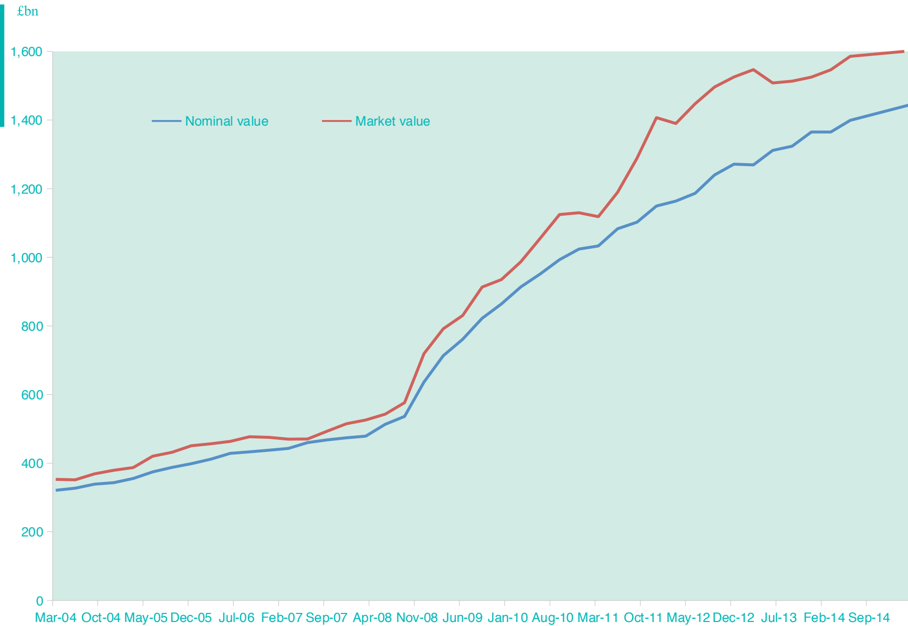
The nominal value[8] of the gilt portfolio rose by 7.6% to £1,365.0 billion as gross gilt issuance greatly exceeded gilt redemptions. The market value of the portfolio ended the financial year almost unchanged, however, as prices fell over the course of the year.

The size of the gross gilt portfolio is larger as a result of the creation (since 2008-09) of £115 billion (cash) gilt collateral for the DMO's Exchequer cash management operations and the Bank of England's Discount Window Facility. The gilt collateral is held on the DMA and the net data above exclude these holdings.

Chart C1 shows the nominal and market values of the gilt portfolio at end-March in each year since 2005 and projected to end-March 2015 (based on the DMO's financing remit for 2014-15).

[8] Including inflation uplift on index-linked gilts.

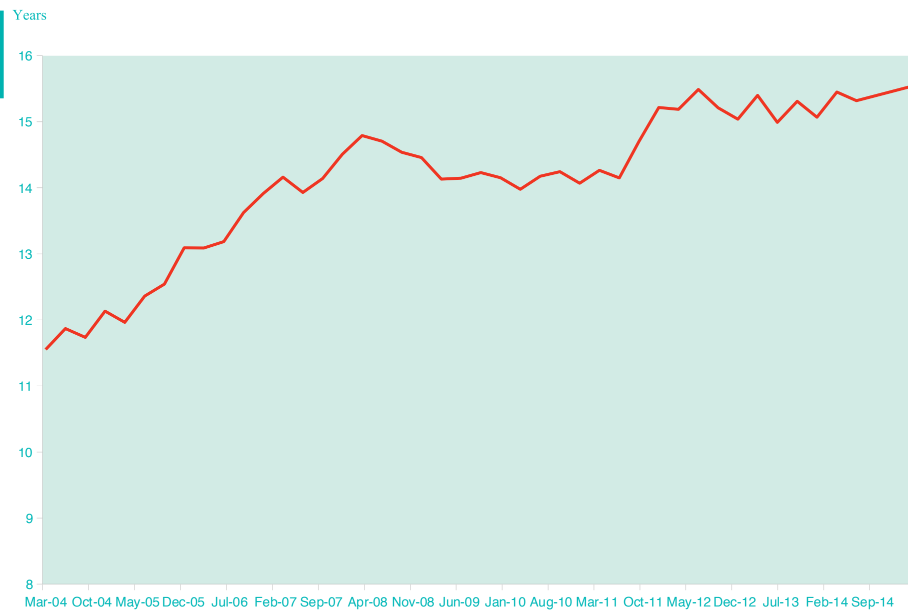
Chart C1
Nominal and market values of the gilt portfolio (projected to end-March 2015)



Source: DMO

Chart C2 shows the maturity of the gilt portfolio at end-March each year since 1998 and projected to end-March 2015 (on the basis of the DMO's 2014-15 financing remit); on this basis, the recent gradual lengthening trend of the last year few years is expected to continue, with the average maturity rising from 15.45 to 15.55 years to end-March 2015.

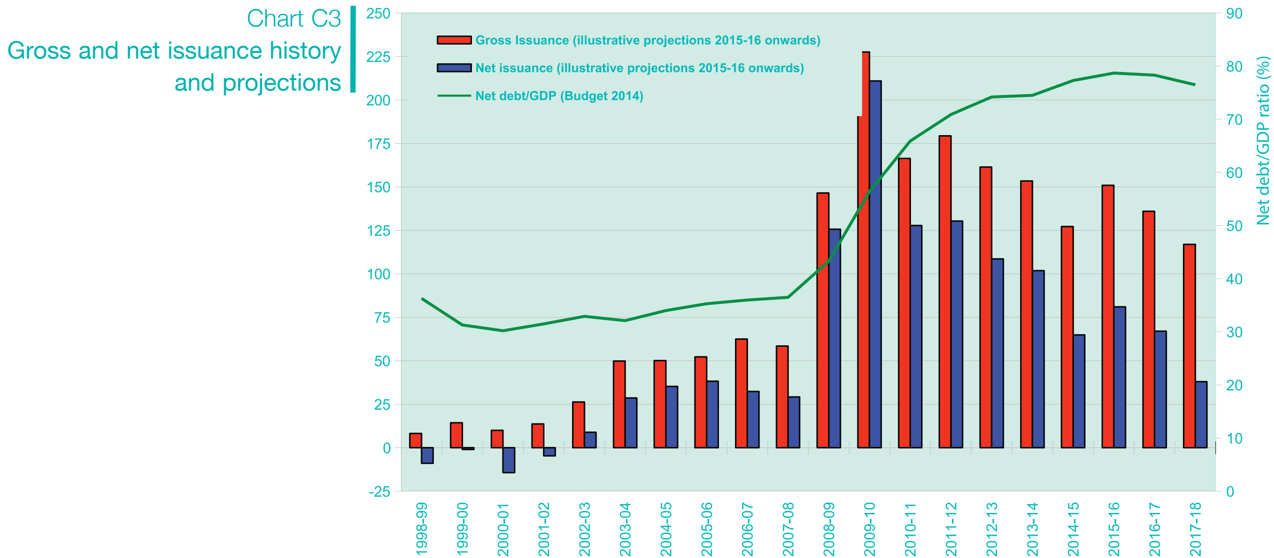
Chart C2
Maturity of the gilt portfolio (projected to end-March 2015)



Source: DMO

Chart C3 shows past and projected gross and net gilt issuance levels (and net debt/GDP ratio) as published at the Budget on 19 March 2014.

Chart C3
Gross and net issuance history and projections



Source: DMO/Office for Budget Responsibility (OBR)

Breakdown of the gilt portfolio by type and maturity

Table C2 and Chart C4 below show the evolution of the gilt portfolio by type and maturity since March 1999. They show a steadily rising proportion of long conventional gilts (from 15% to 29% of the portfolio at the peak in March 2009) although it has fallen back a little since then reflecting the subsequent very large absolute increase in short-conventional issuance and also the effect of shorter-dated long gilts rolling back into the medium sector. The proportion accounted for by index-linked gilts also rose significantly (from 21% to a peak of 30% at end-March 2008 – although this too has fallen back since then in the wake of record high gilt sales requirements that necessitated significant absolute increases in conventional gilt sales.

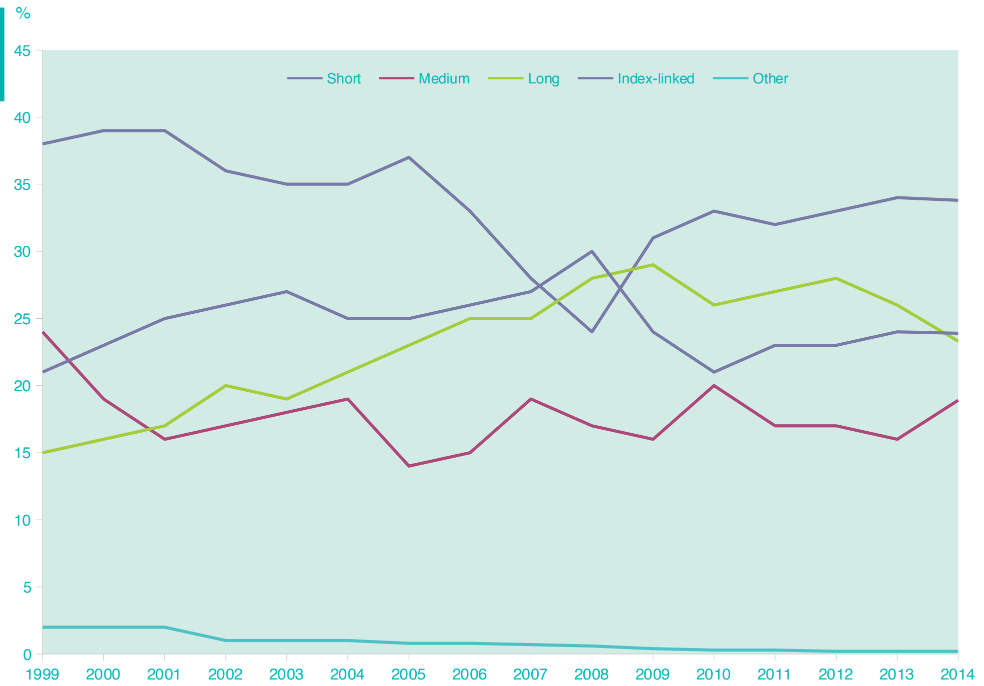
Table C2
Portfolio composition 1999-2014

%	Short	Medium	Long	Index-linled	Other*
1999	38	24	15	21	2
2000	39	19	16	23	2
2001	39	16	17	25	2
2002	36	17	20	26	1
2003	35	18	19	27	1
2004	35	19	21	25	1
2005	37	14	23	25	0.8
2006	33	15	25	26	0.8
2007	28	19	25	27	0.7
2008	24	17	28	30	0.6
2009	31	16	29	24	0.4
2010	33	20	26	21	0.3
2011	32	17	27	23	0.3
2012	33	17	28	23	0.2
2013	34	16	26	24	0.2
2014	34	19	23	24	0.2

Data as at end-March. Figures may not sum due to rounding.
*Includes undated and floating rate gilts to 2001; undated gilts only thereafter.

Source: DMO

Chart C4
Gilt portfolio – proportionate breakdown by maturity and type



Source: DMO

United Kingdom
Debt Management
Office

Eastcheap Court
11 Philpot Lane
London EC3M 8UD