

## AUTUMN STATEMENT 2011: REVISION TO THE DMO'S FINANCING REMIT 2011-12

1. Planned gilt sales are rising by £11.4 billion to £178.9 billion as a result of the publication today of the revisions to the fiscal aggregates announced in the Office for Budget Responsibility's (OBR's) *Economic and fiscal outlook*, November 2011. In addition, planned sales of Treasury bills are rising by £2.4 billion.
2. Separately, the DMO is also announcing that the Government has decided not to issue CPI-linked gilts in 2012-13, but will keep the case for issuance in the medium-term under review.

### Gilt sales

3. The planned increase in gilt sales and the revised split of issuance is summarised in Table 1.

**Table 1: Changes to planned gilt sales (£ billion and percentages)**

	Increase	New Target	(%) Split (new)	(%) Split (April 2011)
Short conventional	3.2	60.6	33.9%	34.3%
Medium conventional	5.1	39.8	22.2%	20.7%
Long conventional	2.1	39.5	22.1%	22.3%
Index-linked	1.0	39.0	21.8%	22.7%
Total	11.4	178.9		

4. Two additional gilt auctions are being scheduled, one short conventional and one medium conventional. The two new dates being added to the auction calendar are:
  - Wednesday 14 December 2011<sup>1</sup>; this will be for a medium maturity (but not 3¾% Treasury Gilt 2021<sup>2</sup>) and the DMO will be seeking views today on the specific bond to be sold. As a consequence, the gilt mini-tender previously scheduled for the week commencing 12 December is being moved to the week commencing 19 December; and
  - Wednesday 11 January 2012.
5. £10.6 billion of the planned increase in gilt sales is being achieved via the auction programme and £0.8 billion via the supplementary programmes (£0.6 billion via syndications and £0.2 billion via mini-tenders). The split of the increases by type of operation is summarised in Table 2.

<sup>1</sup> The size and other detailed terms of this auction will be announced on Tuesday 6 December. The DMO intends to publish the bond choice in the agendas for the consultation meetings which will be held on 5 December 2011; the agendas will be published on Wednesday 30 November.

<sup>2</sup> Which is being auctioned on 1 December 2011.

**Table 2: Adjustments to planned gilt sales by type of operation at Autumn Statement 2011**

	Short	Medium	Long	ILG	TOTAL
<b>Number of auctions</b>	1	1			2
<b>Gilt sales (£bn)</b>					
<b>Auction adjustment</b>	3.2	5.1	1.6	0.7	10.6
<b>Syndication adjustment</b>			0.3	0.3	0.6
<b>Mini-tender adjustment</b>			0.2		0.2
<b>TOTAL</b>	3.2	5.1	2.1	1.0	11.4

6. The resultant planned gilt sales targets for 2011-12 by type, maturity and method of issuance are summarised in Table 3.

**Table 3: Planned split of issuance in 2011-12 by type, maturity and method of issuance**

	Auction	Syndication	Mini-tender	Total
<b>Short-dated conventional</b>				
£ billion	60.6			60.6
Per cent				33.9%
<b>Medium-dated conventional</b>				
£ billion	39.8			39.8
Per cent				22.2%
<b>Long-dated conventional</b>				
£ billion	22.6	13.8	3.1	39.5
Per cent				22.1%
<b>Index-linked</b>				
£ billion	18.9	18.9	1.2	39.0
Per cent				21.8%
<b>Total</b>	<b>141.9</b>	<b>32.7</b>	<b>4.3</b>	<b>178.9</b>

7. Progress against meeting these new targets is shown at Annex A.

### Treasury bill sales

8. The planned stock of Treasury bills at end-March 2012 is being increased to £63.2 billion, compared with the planned level of £60.8 billion published at Budget 2011; this represents an increase in planned sales of £2.4 billion.

## Revisions to the forecasts of the public finances

9. The Government's net financing requirement for 2011-12 is projected to increase by £13.8 billion to £178.5 billion compared with the forecast published at Budget 2011. The main factors<sup>3</sup> contributing to this change are:

- an increase of £14.6 billion to £135.0 billion in the forecast Central Government Net Cash Requirement (CGNCR) for 2011-12; which includes the net increase in financial transactions of around £10 billion which score to CGNCR but do not impact on public sector net borrowing (PSNB). The most significant of these is an increase of around £6 billion in net lending between central government and the rest of the public sector primarily reflecting revised assumptions about local authority financing of one-off transactions relating to Housing Revenue Account (HRA) reforms. Further detail on these financial transactions is set out in Chapter 4 of the OBR's *Economic and fiscal outlook*; and
- an increase of £1.0 billion to £3.0 billion in the forecast net contribution to financing by National Savings & Investments (NS&I) in 2011-12.

10. The updated financing arithmetic is at Annex B.

11. The updated auction calendar for the remainder of 2011-12 is at Annex C.

## Future financing projections

12. The OBR's *Economic and fiscal outlook*, November 2011 includes updated projections for the CGNCR from 2012-13 to 2016-17. Revised illustrative gross financing projections are shown in Table 4. These projections use the new CGNCR projections together with the current estimates for gilt redemptions in these years (N.B. the redemption totals make no assumptions about future gilt issuance). The projections are not gilt sales forecasts and, in particular, they make no assumption about any contribution to financing from NS&I or Treasury bill sales.

**Table 4: Illustrative gross financing projections (£ billion)**

	2012-13	2013-14	2014-15	2015-16	2016-17
CGNCR projections	130	117	85	62	43
Gilt redemptions	53	52	60	67	53
Financing for the reserves	6	6	6	0	0
<b>Illustrative gross financing requirement</b>	<b>189</b>	<b>175</b>	<b>151</b>	<b>129</b>	<b>96</b>
CGNCR change since Budget 2011	25	37	39	29	na
Financing for the reserves change since Budget 2011	0	0	0	0	na
Redemptions change since Budget 2011	0	5	0	15	na

*Figures may not sum due to rounding.*

<sup>3</sup> In addition, there was an increase of £0.1 billion arising from a revision to the outturn of the 2010-11 CGNCR subsequently to the last remit revision in April 2011.

## Annex A: Gilt sales relative to remit targets at 29 November 2011 (£ million)

	Conventional Gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction sales to-date	38,561	20,969	15,097	12,095	86,723
PAOF proceeds to-date	864	1,108	832	560	3,364
<b>Auction + PAOF sales to date</b>	<b>39,425</b>	<b>22,078</b>	<b>15,929</b>	<b>12,655</b>	<b>90,087</b>
PAOF sales since the AF	0	0	0	0	0
Syndication sales to-date			9,319	15,375	24,694
Mini-tender sales to-date			1,185	494	1,679
<b>Total gilt sales to date</b>	<b>39,425</b>	<b>22,078</b>	<b>26,433</b>	<b>28,524</b>	<b>116,460</b>
<b>Required auction sales to meet plans</b>					
Sales required	21,175	17,722	6,671	6,245	51,813
Less assumed PAOF proceeds to end-financial year	464	890	348	276	1,979
<b>Auction sales currently required to meet plans</b>	<b>20,711</b>	<b>16,832</b>	<b>6,323</b>	<b>5,968</b>	<b>49,834</b>
Number of auctions remaining	5	5	3	5	18
<b>Currently required average auction sizes</b>	<b>4,142</b>	<b>3,366</b>	<b>2,108</b>	<b>1,194</b>	
Syndication sales required to meet plan			4,481	3,525	8,006
Mini-tender sales required to meet plan			1,915	706	2,621
<b>Planned gilt sales at auctions</b>	<b>60,600</b>	<b>39,800</b>	<b>22,600</b>	<b>18,900</b>	<b>141,900</b>
Number of auctions scheduled	13	11	10	15	49
Planned gilt sales by syndication			13,800	18,900	32,700
Planned sales by mini-tender			3,100	1,200	4,300
Planned supplementary gilt sales			16,900	20,100	37,000
<b>Total planned gilt sales</b>	<b>60,600</b>	<b>39,800</b>	<b>39,500</b>	<b>39,000</b>	<b>178,900</b>

The average auction sizes shown above reflect the inclusion of Post Auction Option Facility (PAOF) proceeds in the period to the Autumn Statement of £3.36 billion in the auction sales totals. The average auction size calculations also assume that future PAOF proceeds to the end of the financial year will accrue as illustrated above (totalling £2.0 billion). The average auction sizes also reflect the increases to the gilt sales programme announced at the Autumn Statement. For further details on these calculations see the DMO's operational notice of 31 October 2011, available on the DMO's website at:

[http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot311011.pdf&page=operational\\_rules/Document](http://www.dmo.gov.uk/documentview.aspx?docname=publications/operationalrules/opnot311011.pdf&page=operational_rules/Document)

## Annex B: Updated financing arithmetic 2011-12 (£ billion)

	April 2011 <sup>(1)</sup>	Autumn Statement 2011
CGNCR	120.4	135.0
Redemptions	49.0	49.0
Financing for the official reserves	6.0	6.0
Buy-backs	0.0	0.0
Planned short-term financing adjustment <sup>2</sup>	-8.7	-8.6
<b>Gross Financing requirement</b>	<b>166.7</b>	<b>181.4</b>
Less		
Contribution from National Savings & Investments	2.0	3.0
<b>Net Financing requirement</b>	<b>164.7</b>	<b>178.5</b>
Financed by:		
<b>1. Debt issuance by the DMO</b>		
<b>a) Treasury bills (net stock change in financial year)<sup>3</sup></b>	<b>-2.8</b>	<b>-0.4</b>
<b>b) Gilt sales (planned outright sales)</b>	<b>167.5</b>	<b>178.9</b>
Short-dated conventionals	57.4	60.6
Medium-dated conventionals	34.7	39.8
Long-dated conventionals	37.4	39.5
Index-linked	38.0	39.0
<b>2. Other planned changes in short term debt</b>		
Ways and Means	0.0	0.0
<b>3. Change in short term cash position<sup>4</sup></b>	<b>0.0</b>	<b>0.0</b>
<b>Total financing</b>	<b>164.7</b>	<b>178.5</b>
<b>Short-term debt levels at end of financial year</b>		
Treasury bill stock (in market hands)	60.8	63.2
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5
<i>1. Adjusted for restatement of the end financial year 2010-11 Treasury bill stock (£63.6bn not £64.1bn).</i>		
<i>2. To accommodate changes to the current year's financing requirement resulting from: (i) publication of the previous year's CGNCR outturn and the subsequent revision from £139.6 billion to £139.7 billion; (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.</i>		
<i>3. The stock change shown here is a planning assumption. The DMO may finish the financial year with a higher or lower Treasury bill stock than assumed above, depending on the extent to which the DMO uses other short term cash instruments to raise finance and the extent to which there is a deviation from plan on proceeds from supplementary methods of issuance.</i>		
<i>4. The change in the short-term cash position for 2011-12 (and the level of the net short term cash position at the end of the financial year) will also include any impact on financing arising from other activities carried out within Government (e.g. issuance of tax instruments, transfers between central government and other sectors, and foreign exchange transactions). The zero change for the short-term cash position in 2011-12 assumes that the DMO's planning assumption for the end-year Treasury bill stock is met. To the extent that the DMO uses alternative short-term cash instruments to raise finance within year, this will be reflected (as a negative number) in this line in the Table. A negative (positive) number here indicates an increase in (reduction in) the financing requirement for the following financial year.</i>		
<i>Figures may not sum due to rounding.</i>		

### Annex C: The revised auction calendar for the remainder of 2011-12<sup>4</sup>

Date	Gilt
01-Dec-11	3½% 2021
06-Dec-11	4¼% 2040
07-Dec-11	1¼% IL 2032
<b>14-Dec-11</b>	<b>Medium Conventional</b>
15-Dec-11	1¼% 2017
04-Jan-12	Conventional
10-Jan-12	Index-linked
<b>11-Jan-12</b>	<b>Conventional</b>
19-Jan-12	Conventional
01-Feb-12	Conventional
02-Feb-12	Index-linked
07-Feb-12	Conventional
16-Feb-12	Conventional
01-Mar-12	Conventional
06-Mar-12	Index-linked
07-Mar-12	Conventional
15-Mar-12	Conventional
22-Mar-12	Index-linked
<b>New auctions in bold</b>	

<sup>4</sup> Auction dates in Q4 2011-12 are subject to confirmation subject to the Chancellor's decision on the Budgetary timetable.