

AUTUMN STATEMENT 2014: REVISION TO THE DMO FINANCING REMIT 2014-15

1. The DMO's net financing requirement for 2014-15 is falling by £6.8 billion compared to remit revision announced in April 2014 following the publication today of the new fiscal aggregates announced in the Office for Budget Responsibility's (OBR's) December 2014 *Economic and Fiscal Outlook*
2. Planned gilt sales are being reduced by £1.3 billion and planned net sales of Treasury bills are being reduced by £5.5 billion.
3. The reduction in planned gilt sales is being implemented entirely via the mini-tender programme, reducing the size of that programme by £1.3 billion from £3.5 billion¹ to £2.2 billion and the size of the overall gilt sales programme to £125.9 billion.
4. The reduction in planned net Treasury bill sales will take the forecast level of Treasury bills at end-March 2015 from £70.5 billion to £65.0 billion.
5. The summary of sales relative to the revised remit targets is shown at Annex A. The planned breakdown of gilt sales by type/maturity and method of issuance is shown at Annex B.

Treasury bill sales

6. The planned end-March 2015 stock of Treasury bills is being reduced by £5.5 billion to £65.0 billion. It is now anticipated that the stock of Treasury bills in market hands will rise by £8.5 billion in 2014-15 as opposed to the planned stock-build of £14.0 billion announced at the remit revision in April. This reduction is consistent with the role of Treasury bills to protect the gilt sales programme from a significant in-year change, where practicable. The reduction will be achieved by not implementing the increases in the sizes of weekly tenders that would have been required to hit the previously planned end-financial year stock of £70.5 billion.

Changes to the financing requirement at the Autumn Statement 2014

7. The OBR's latest forecast for the Central Government Net Financing Requirement (excluding Northern Rock (Asset Management) (NRAM), Bradford & Bingley (B&B) and Network Rail (NR) (CGNCR exc. B&B, NRAM

¹ The size of the mini-tender programme had previously been reduced from an initial £5.0 billion to £3.5 billion (in three £0.5 billion increments) as planned sales were re-allocated from the mini-tender programme to the syndication programme as a result of strong high quality demand at each of the three syndicated offerings held in the financial year to-date.

and NR) in 2014-15 is £102.3 billion, a reduction of £4.9 billion from the forecast at Budget 2014 (as restated today to reflect financing for Network Rail)². The CGNCR forecast for 2014-15 and those for future years in the forecast period (see paragraphs 12-13) also reflect methodological changes by the OBR to the calculation of this financial aggregate.

8. The financing adjustment carried forward from previous years has increased by £9.0 billion to -£30.2 billion primarily reflecting retrospective corrections by the Office for National Statistics (ONS) of CGNCRs in 2012-13 and 2013-14.
9. The other main factor impacting on the DMO's forecast net financing requirement in 2014-15 is an additional £6.0 billion of financing for the Official Reserves in 2014-15, taking the forecast total to £12.0 billion.

10. Other factors impacting on financing in 2014-15 at AS 2014 are:

- An increase of £0.5 billion to £13.5 billion in the forecast net contribution to financing by National Savings & Investments (NS&I) compared to Budget 2014.
- An increase in the gilt redemption total of £2.3 billion to £64.5 billion, primarily reflecting the government's decision to redeem 3½% War Loan and 4% Consolidated Loan in 2014-15³.
- £0.3 billion from the issuance of renminbi denominated debt.
- £0.2 billion from the sale of Sukuk.
- £0.2 billion revenue from coinage.

11. The updated financing arithmetic is shown at Annex C.

Future illustrative gross financing requirements

12. The OBR's December 2014 *Economic and Fiscal Outlook* includes updated forecasts for the CGNCR exc. B&B, NRAM and NR from 2015-16 to 2019-20. Revised illustrative gross financing requirements are shown below. These include forecasts of gilt redemptions in these years (which make no assumptions about future gilt issuance) and forecast financing for the Official Reserves.

² The CGNCR published at Budget 2014 and at the remit revision in April was £100.7 billion but financing for Network rail of £6.5 billion was included as a separate line in the financing arithmetic, so presented on a comparable basis as in today's announcement the previous CGNCR number would have been £107.2 billion.

³ This adjustment also includes a correction of £0.1 billion to the redemption total published in April 2014.

13. The illustrative gross financing requirements below are not gilt sales forecasts; they make no assumptions about any contributions to financing from net Treasury bill sales or NS&I.

(£ billion)	2015-16	2016-17	2017-18	2018-19	2019-20
CGNCR exc. B&B, NRAM and NR forecasts	95	73	38	16	-2
Gilt redemptions	70	70	79	67	93
Financing for the Official Reserves	6	6	6	6	6
Illustrative gross financing requirement	171	149	123	89	97

Figures may not sum due to rounding.

Annex A: Gilt sales relative to revised remit plans at Autumn Statement 2014

Gilt sales v remit (Autumn Statement 2014)					
	Conventional Gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction proceeds to-date	23,749	19,575	14,105	15,737	73,167
PAOF proceeds to-date	608	956	1,299	829	3,692
Auction and PAOF proceeds to-date	24,357	20,532	15,404	16,566	76,859
Syndication sales to-date	0	0	9,588	5,382	14,970
Mini-tender sales to date	0	1,177	0	0	1,177
Total gilt sales to date	24,357	21,708	24,992	21,948	93,005
Auction sales required to meet plans	7,643	6,168	8,996	5,534	28,341
Number of auctions remaining	2	2	4	4	12
Currently required average auction sizes	3,822	3,084	2,249	1,383	
Syndication sales required to meet plan	0	0	-88	3,618	3,530
Mini-tender sales required to meet plan					1,023
Planned gilt sales at auctions	32,000	26,700	24,400	22,100	105,200
Number of auctions scheduled	8	8	10	15	41
Planned gilt sales by syndication	0	0	9,500	9,000	18,500
Planned sales by mini-tender					2,200
Total planned supplementary gilt sales					20,700
Total planned gilt sales					125,900
Required gilt sales remaining					32,895

Annex B: Planned split of gilt issuance by type, maturity and method of sale

	Auction	Syndication	Mini-tender	Total
Short conventional				
£ billion	32.0			32.0
Per cent				25.4%
Medium conventional				
£ billion	26.7			26.7
Per cent				21.2%
Long conventional				
£ billion	24.4	9.5		33.9
Per cent				26.9%
Index-linked				
£ billion	22.1	9.0		31.1
Per cent				24.7%
Total £ billion	105.2	18.5	2.2	125.9
	83.6%	14.7%	1.7%	
<i>Figures may not sum due to rounding</i>				

Annex C: Updated financing arithmetic for 2014-15

2014-15 Financing requirement (£ billion)	April-2014	AS 2014
a) Financing items		
Central Government Net Cash Requirement exc. B&B, NRAM & Network Rail ¹	107.2	102.3
Gilt redemptions	62.2	64.5
Planned financing for the Official Reserves	6.0	12.0
Gilt secondary market purchases	0.0	0.0
Financing adjustment carried forward from the previous financial years	-21.2	-30.2
Gross Financing Requirement	154.2	148.6
<i>Less:</i>		
Contribution from National Savings & Investments	13.0	13.5
Sukuk		0.2
Renminbi		0.3
Other financing items ²		0.2
Net Financing Requirement for DMO (NFR)	141.2	134.4
b) Financed by:		
1. Debt issuance by the DMO		
a) Treasury bills (planned change in stock issued at tenders)	14.0	8.5
b) Gilt sales (planned outright sales)	127.2	125.9
- Short conventional	32.0	32.0
- Medium conventional	26.7	26.7
- Long conventional	32.9	33.9
- Index-linked	30.6	31.1
- Mini-tenders	5.0	2.2
2. Planned change in level of the Ways and Means	0.0	0.0
Total financing	141.2	134.4
Short-term debt/cash levels at end of financial year		
Treasury bill stock via tenders (in market hands) ³	70.5	65.0
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5
<i>Figures may not sum due to rounding.</i>		

¹ This excludes Network Rail's cash requirement but includes the Exchequer's requirement for financing £6.5 billion of lending to Network Rail. This was presented as a separate item in the financing arithmetic at April 2014.

² From this Autumn Statement onwards, the financing arithmetic includes provision for small sources of additional financing. This is expected to include non-governmental deposits, coinage and certificates of tax deposit. Prior to publication of the end-year outturn in the following April, this financing item will only comprise in-year revenue to date from coinage.

³ The DMO has operational flexibility to vary the end-financial year stock subject to its operational requirements.