2012-13 CGNCR OUTTURN: REVISION TO THE DMO FINANCING REMIT 2013-14

1. The DMO is increasing planned debt sales by £6.7 billion in 2013-14, following the publication today by the Office for National Statistics (ONS) of the outturn of the 2012-13 Central Government Net Cash Requirement (CGNCR):

    - Gilt sales will rise by £4.7 billion to £155.7 billion. The increase will be split as follows.

(£bn)	Increase	Target
Short	0.3	42.9
Medium	2.5	32.5
Long	0.9	33.5
Index-linked	1.0	36.8
Mini-tenders	0.0	10.0
	4.7	**155.7**

    - Net Treasury bill sales will rise by £2.0 billion, taking the planned stock at end-March 2014 to £70.0 billion, an increase in 2013-14 of £12.8 billion.

Gilt operations

Auctions

2. £3.7 billion of the increased gilt sales are being delivered via the auction programme. No additional auctions have been scheduled. The increases to the programme, with the new targets and the new required average auction sizes are as follows.

(£bn)	Increase	Target	Average auction size
Short	0.3	42.9	4.77
Medium	2.5	32.5	3.61
Long	0.4	25.0	2.50
Index-linked	0.5	24.3	1.62
	3.7	**124.7**	

Syndications

3. £1.0 billion of the higher planned gilt sales are being delivered via syndications, split equally between the long conventional and index-linked programmes as follows:

(£bn)	Increase	Target
Long	0.5	8.5
Index-linked	0.5	12.5
	1.0	**21.0**

<u>Mini-tenders</u>

4. No change is being made to the size of the planned gilt mini-tender programme, which remains at £10.0 billion.

5. The increase in gilt sales has been designed to maintain as far as practicable the split of issuance announced at Budget 2013, subject to operational considerations. The main, albeit marginal, change has been the increased share of medium conventional sales, reflecting the greater scope for increasing the average size of these auctions compared to those of other gilts. The changes to the percentage split of planned gilt sales are as follows.

(%)	Budget	April	Change
Short	28.2	27.6	-0.6
Medium	19.9	20.9	1.0
Long	21.6	21.5	-0.1
Index-linked	23.7	23.6	-0.1
Mini-tenders	6.6	6.4	-0.2

Financing arithmetic

6. The outturn for the 2012-13 CGNCR, excluding the impact of the reclassification of Northern Rock Asset Management and Bradford and Bingley, is £109.5 billion, which is an increase of £7.1 billion compared to the Office for Budget Responsibility's forecast of £102.4 billion published at Budget 2013. This increase has, however, been offset by:

   - the outturn for gilt sales in 2012-13, which, at £165.1 billion was £0.3 billion higher than forecast at Budget 2013; and

   - an updated provisional outturn of the net contribution to financing by National Savings & Investments (NS&I), which, at -£0.7 billion is £0.1 billion higher than forecast at Budget 2013[1].

7. The other factor reflected in the financing arithmetic is the outturn for Treasury bills sold via the DMO's bilateral facility. At 31 March 2013, sales of Treasury bills sold bilaterally were £5.7 billion, which is £1.1 billion higher than the amount reported at Budget 2013. As a result the outturn Treasury bill stock at 31 March 2013 was £57.2 billion, compared to the forecast of £56.1 billion published at Budget 2013. As a consequence of this, the stock-build in 2013-14 required to reach the planned end-March 2014 Treasury bill stock of £70.0

[1] The updated forecast net contribution from NS&I is a provisional figure subject to audit.

billion, at £12.8 billion, is £1.1 billion lower than would otherwise have been the case.

8. The revised financing arithmetic is at Annex A.

Annex A: Revised financing arithmetic

£bn	2012-13	2013-14
Central Government Net Cash Requirement	112.2	113.9
Adjustment for NRAM and B&B[1]	-2.7	-2.9
Gilt redemptions	52.9	51.5
Financing for the Official Reserves	6.0	6.0
Gilt secondary market purchases[2]	0.0	0.0
Planned short-term financing adjustment[3]	-17.2	0.0
Gross Financing Requirement	151.3	168.5
Less:		
Contribution from National Savings & Investments	-0.7	0.0
Net Financing Requirement	**151.9**	**168.5**
Financed by:		
1. Debt issuance by the DMO		
a) Treasury bills (net stock change in financial year)	**-13.2**	**12.8**
b) Gilt sales (planned outright sales)	**165.1**	**155.7**
Short conventionals	50.8	42.9
Medium conventionals	34.7	32.5
Long conventionals	37.5	33.5
Index-linked	35.9	36.8
Mini-tenders	6.3	10.0
2. Other planned changes in short term debt[4]		
Ways and Means	0.0	0.0
3. Change in the DMO short term cash position[5]	0.0	0.0
Total financing	**151.9**	**168.5**
Short-term debt levels at end of financial year		
Treasury bill stock (in market hands)	57.2	70.0
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5
Figures may not sum due to rounding.		

1. Reflecting the reclassification of Northern Rock (Asset Management) and Bradford & Bingley as part of 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. 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.

5. The change in the short-term cash position for 2012-13 (and the level of the net short term cash position at the end of the financial year) reflects changes to the public finance forecasts, any changes to financing from NS&I and Treasury bills (including those sold direct to counterparties separately from weekly tenders). It will also reflect any variances between the gilt sales outturn and plans. In addition, the change will 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 2013-14 assumes that the DMO's planning assumption for the end-year Treasury bill stock is met. A negative (positive) number here indicates an increase in (reduction in) the financing requirement for the following financial year.