22 April 2010

OUTTURN 2009-10 CGNCR AND TREASURY BILL STOCK: REVISION TO THE DMO'S FINANCING REMIT 2010-11

The outturn Central Government Net Cash requirement (CGNCR) for 2009-10 published earlier today is £2.1 billion lower than the forecast published in Budget 2010.

In addition, the outturn for sales of bilateral Treasury bills in 2009-10 was £1.3 billion, £0.6 billion higher than the forecast in Budget 2010, taking the end-March 2010 Treasury bill stock to £63.3 billion[1].

Together these developments have reduced the net financing requirement for 2010-11 by £2.8 billion since Budget 2010 to £182.6 billion.

Reflecting these developments, the DMO's financing remit for 2010-11 is being adjusted as follows:

- Medium maturity gilt sales are being reduced by £2.1 billion to £42.9 billion taking total planned gilt sales to £185.2 billion. No gilt auctions are being cancelled. Sales target amounts and planned methods of sale for other types and maturities of gilts are unchanged from Budget 2010.

- Treasury bill sales are being further reduced by £0.6 billion to -£2.5 billion, thereby unwinding the increase in the bilateral Treasury bill stock relative to the forecast published at Budget 2010. This returns the planned end-March 2011 Treasury bill stock to £60.8 billion, as announced at Budget 2010.

The updated financing arithmetic is reproduced below[2].

[1] There have also been minor adjustments since publication of Budget 2010 to: (i) National Savings & Investments' net contribution to financing in 2009-10, which has risen to £1.6bn from £1.5bn; and (ii) financing for Phase 1 of the Bank of England's Asset Purchase Facility, which has risen by £0.1bn from -£1.0bn to -£0.9bn.

[2] This table (republished on 7 May 2010) includes technical corrections to the 2009-10 buy-backs total and the 2010-11 redemptions total - these are shown below as £0.4bn and £38.6bn respectively (compared to £0.1bn and £39.0bn in the financing arithmetic published on 22 April). The correction to buy-backs in 2009-10 reduces the level of the DMO net cash position at the end of 2009-10 by £0.4 billion. In turn this also reduces the size of the short-term financing adjustment in 2010-11 by the same amount. The net financing requirement for 2010-11 and planned debt sales are, however, unaffected by these changes.

Financing arithmetic (£bn)	2009-10 outturn	2010-11 April 2010 revision
Central Government Net Cash Requirement	198.8	166.4
Gilt redemptions	16.6	38.6
Financing for Phase 1 of the Bank's Asset Purchase Facility	-0.9	0.0
Financing for the reserves	4.0	4.0
Buy-backs	0.4	0.0
Planned short-term financing adjustment[1]	-0.6	-26.4
Financing requirement	**218.3**	**182.6**
Less		
Contribution to financing from NS&I	1.6	0.0
Net financing requirement	**216.8**	**182.6**
Financed by		
1. Debt issuance by the DMO		
a) Treasury bills[2]	**19.4**	**-2.5**
b) Gilt sales	**227.6**	**185.2**
Short-dated conventionals	75.4	59.0
Medium-dated conventionals	71.3	42.9
Long-dated conventional	51.6	45.3
Index-linked gilts	29.3	38.0
2. Other planned change in short term debt		
Ways and Means	-3.8	0.0
3. Change in short term cash position[3]	26.4	0.0
Total financing	**243.1**	**182.7**
Short-term debt levels at end of financial year		
Assumed Treasury bill stock (in market hands)	63.3	60.8
Ways and Means	0.4	0.4
DMO net cash position	26.9	0.5

1. To accommodate changes to the current year's financing requirement resulting from (i) publication of the previous year's outturn CGNCR and/or (ii) carry over of unanticipated changes to the cash position from the previous year.

2. 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.

3. The zero change for the short-term cash position in 2010-11 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 above. A negative (positive) number here indicates an increase in (reduction in) the financing requirement for the following financial year.

4. Numbers may not sum due to rounding.