CGNCR OUTTURN 2013-14: REVISION TO THE DMO'S FINANCING REMIT 2014-15

1. Following the publication today of the outturn Central Government Net Cash Requirement (CGNCR) for 2013-14, planned gilts sales in 2014-15 are being reduced by £1.2 billion to £127.2 billion and net Treasury bill sales are being reduced by £2.5 billion to £14.0 billion (taking the planned end-March 2015 stock to £70.5 billion). There is no change to the gilt auction calendar in 2014-15.

2. The net financing requirement for 2014-15 has fallen by £3.7 billion, to £141.2 billion compared to the forecast published at Budget, reflecting:

    a. the CGNCR outturn for 2013-14, which at £80.6 billion is £6.9 billion lower than forecast by the Office for Budget Responsibility at Budget 2014;

    b. £3.3 billion of additional financing carried forward from 2013-14 reflecting the previous drawdown of sterling financing for the Official Reserves compared to plans; offset by

    c. an expected requirement to finance up to £6.5 billion of borrowing by Network Rail in 2014-15[1].

    The revised financing arithmetic is at Annex A.

Changes to gilt sales plans

3. The £1.2 billion reduction in planned gilt sales is being reflected in the auction programme. Planned gilt sales via syndicated offerings and mini-tenders remain unchanged at £17.0 billion and £5.0 billion respectively.

4. The reduction in planned gilt sales at auctions is being split as follows:

(£bn)	**Reduction**	**New Plan**
Short conventional	0.4	32.0
Medium conventional	0.2	26.7
Long conventional	0.2	24.4
Index-linked	0.4	22.1
TOTALS	**1.2**	**105.2**

[1] It was announced in December 2013 that the Government, the Office of the Rail Regulator and Network Rail would explore whether alternative approaches or refinements to Network Rail's current borrowing model could deliver a more efficient approach, and if so from what point in time these might be introduced. The Government has now determined that, in future, value for money for the taxpayer will best be secured by Network Rail borrowing directly from the Government, rather than by Network Rail issuing debt in its own name. The Department for Transport and Network Rail are discussing details of a possible loan arrangement in advance of Network Rail's formal reclassification to the public sector in September 2014. The Government's current expectation is that it may lend up to £6.5 billion to Network Rail during the 2014-15 financial year. It is therefore factoring this into its financing plans.

5. The resultant reductions in implied average auction sizes are as follows:

(£bn)	**Pre-outturn**	**Post-outturn**
Short conventional	4.05	4.00
Medium conventional	3.36	3.34
Long conventional	2.45	2.43
Index-linked	1.49	1.46

This announcement will be appearing on the DMO website at www.dmo.gov.uk.

Annex A: Revised financing arithmetic

CGNCR 2013-14 Outturn (£ billion)	2013-14	2014-15
Central Government Net Cash Requirement exc. B&B and NRAM[1]	80.6	100.7
Gilt redemptions	51.5	62.2
Planned financing for the Official Reserves	6.0	6.0
Planned financing for Network Rail		6.5
Gilt secondary market purchases[2]	0.0	0.0
Planned short-term financing adjustment[3]	5.8	-21.2
Gross Financing Requirement	143.9	154.2
Less:		
Contribution from National Savings & Investments	3.4	13.0
Net Financing Requirement	**140.5**	**141.2**
Financed by:		
1. Debt issuance by the DMO		
a) Treasury bills (planned change in stock issued at tenders)[4]	**5.0**	**14.0**
b) Gilt sales (planned outright sales)	**153.4**	**127.2**
Short conventional	46.1	32.0
Medium conventional	34.0	26.7
Long conventional	34.3	32.9
Index-linked	39.0	30.6
Mini-tenders		5.0
2. Other planned changes in short term debt[5]		
Ways and Means	0.0	0.0
3. Change in the DMO short term cash position[6]	21.2	0.0
Total financing	**158.4**	**141.2**
Short-term debt levels at end of financial year		
Treasury bill stock via tenders (in market hands)[7]	56.5	70.5
Ways and Means	0.4	0.4
DMO net cash position	21.7	0.5

Figures may not sum due to rounding.

1. Includes an expected £200mn contribution from Sovereign sukuk in 2014-15

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. The zero change for the short-term cash position in 2014-15 assumes that the DMO's planning assumption for the end-year Treasury bill stock via tenders is met. A positive (negative) number here indicates a reduction (increase) in the financing requirement for the following financial year.

7. From 2014-15, theT-bill stock outstanding at year-end can be increased or decreased by a maximum of £5bn relative to the planning assumption to offset any anticipated net Exchequer cash surplus or deficit towards year-end.

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

	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**
	82.7%	**13.4%**	**3.9%**	
Figures may not sum due to rounding				