

CGNCR OUTTURN 2004-05: REVISION TO DMO REMIT 2005-06

The outturn Central Government Net Cash Requirement (CGNCR) for 2004-05, published today by HM Treasury/Office for National Statistics (ONS), is £38.6 billion - this is £4.3 billion lower than the forecast published in Budget 2005. In accordance with the contingencies published in the Debt and Reserves Management Report 2005-06, the following adjustments are being made to the current DMO financing remit:

- Gilt sales are being reduced by £2.4 billion to £51.1 billion. This reduction is split as follows:

	<u>Reduction (£bn)</u>	<u>Planned sales (£bn)</u>
Short conventionals	0.4	12.1
Medium conventionals	0.4	11.1
Long conventionals	0.6	17.9
Index-linked	1.0	10.0

The index-linked gilt auction scheduled for 11 October has been cancelled. There will now be 10 index-linked gilt auctions in 2005-06. The number of conventional gilt auctions remains unchanged at 15.

- Treasury bill sales are being reduced by £1.5 billion compared with Budget plans, (taking the planned end-March 2006 stock to £18.0 billion).

The overall reduction in planned financing is £3.9 billion, this is £0.4 billion less than the reduction in the CGNCR as a result of three further adjustments to the financing arithmetic:

- Outturn gilt sales in 2004-05, at £50.1 billion, were £0.2 billion lower than planned.
- The outturn contribution to financing in 2004-05 by National Savings and Investments (NS&I), at £1.9 billion, was £0.1 billion lower than forecast at Budget 2005.
- Gilt redemptions in 2005-06 now round to £14.6 billion, compared with £14.5 billion in Budget 2005.¹

The reduction of the CGNCR in 2004-05 moved the DMO net cash position at end-March 2005 from an anticipated deficit of £1.1 billion at Budget 2005 to a surplus of £2.9 billion. This surplus is to be run-down by £2.7 billion in 2005-06 to return it to its planned level of £0.2 billion. Unwinding the cash position in this way reduces the financing requirement in 2005-06.

The revised financing arithmetic is published below.

¹ The unrounded redemption totals are £14.552bn and £14.549bn. The change is the result of a small reduction in March of Government holdings of gilts maturing in 2005-06.

Gilt financing arithmetic 2004-05 and 2005-06

Financing arithmetic (£bn)	APRIL 20 REVISION	
	2004-05	2005-06
CGNCR	38.6	40.2
Redemptions	14.7	14.6
Financing for reserves	0.0	0.0
Buy-backs	0.1	0.0
Planned short-term financing adjustment ¹	-2.9	-2.7
Financing requirement	50.5	52.1
Less		
NS&I	1.9	3.5
Net Financing requirement	48.6	48.6
Financed by		
1. Debt issuance by the DMO		
a) T bills	1.2	-2.5
b) Gilt sales	50.1	51.1
of which		
Short conventionals	17.6	12.1
Medium conventionals	10.1	11.1
Long conventionals	14.4	17.9
Index-linked	8.0	10.0
2. Other planned change in short term debt²		
Ways and Means	0.0	0.0
3. Unanticipated change in short term cash position³	2.7	0.0
Total financing	51.3	48.6
Short-term debt levels at end of financial year		
T bill stock	20.5	18.0
Ways and Means	13.4	13.4
DMO net cash position	2.9	0.2
<p>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.</p> <p>2. Total planned changes to short-term debt are the sum of (i) the planned short-term financing adjustment, (ii) T-bill sales; and (iii) changes to the level of the Ways and Means Advance</p> <p>3. A negative (positive) number indicates and addition to (reduction in) the financing requirement for the following financial year</p>		