

AUTUMN STATEMENT 2015: REVISION TO THE DMO FINANCING REMIT 2015-16

1. The DMO's net financing requirement for 2015-16 increases by £4.5 billion compared to the remit revision announced at the July 2015 Budget following the publication today of the new fiscal aggregates announced in the Office for Budget Responsibility's (OBR's) November 2015 *Economic and Fiscal Outlook*.
2. The increase is being financed entirely by higher planned net sales of Treasury bills. The increase in planned net Treasury bill sales will take the forecast level of Treasury bills at end-March 2016 from £61.5 billion to £66.0 billion. The DMO has the operational flexibility to vary the end financial year stock of Treasury bills by £5 billion.
3. The gilt sales programme is unchanged, with total sales remaining at £127.4 billion. A summary of current gilt sales relative to the remit targets is shown at Annex A. The currently planned breakdown of gilt sales by type/maturity and method of sale is shown at Annex B.

Treasury bill sales

4. The planned end-March 2016 stock of Treasury bills is being increased by £4.5 billion to £66.0 billion. It is now anticipated that the stock of Treasury bills in market hands will rise by £1.0 billion over the course of 2015-16 as opposed to the planned stock reduction of £3.5 billion announced at the remit revision coinciding with the July Budget (at which planned Treasury bill sales were reduced by £10.5 billion).
5. The DMO has flexibility to vary the planned Treasury bill stock by a maximum of £5 billion before the financial year end, relative to these plans. This can be used to offset any anticipated net surplus or deficit for the Exchequer. Effective from 2015-16, this flexibility can be extended into the following financial year.

Changes to the financing requirement at the Autumn Statement 2015

6. The OBR's latest forecast for the Central Government Net Cash Requirement (excluding Northern Rock (Asset Management) (NRAM), Bradford & Bingley (B&B) and Network Rail (NR), i.e. CGNCR exc. NRAM, B&B and NR) in 2015-16 is £75.5 billion, an increase of £3.8 billion from the forecast at the July 2015 Budget¹.

¹ Figures may not sum due to rounding.

7. The other factor impacting on the net financing requirement in 2015-16 at Autumn Statement 2015 is a reduction of £0.7 billion to £9.3 billion in the forecast net contribution to financing by National Savings & Investments (NS&I) compared to the July 2015 Budget.
8. The updated financing arithmetic is shown at Annex C.

Future illustrative gross financing requirements

9. The OBR's November 2015 *Economic and Fiscal Outlook* includes updated forecasts for the CGNCR exc. NRAM, B&B and NR from 2016-17 to 2020-21. 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 planned financing for the Official Reserves.
10. 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)	2016-17	2017-18	2018-19	2019-20	2020-21
CGNCR (exc. NRAM, B&B, and NR) forecasts	64	32	13	1	7
Gilt redemptions	70	79	67	93	74
Financing for the Official Reserves	6	6	6	6	0
Illustrative gross financing requirement	140	117	86	100	81

Annex A: Gilt sales relative to revised remit plans at Autumn Statement 2015

	Conventional Gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction proceeds to-date	19,624	18,861	17,035	9,526	65,046
PAOF proceeds to-date	1,151	403	832	277	2,663
Auction and PAOF proceeds to-date	20,775	19,264	17,867	9,803	67,709
Syndication sales to-date	0	0	9,508	8,313	17,820
Mini-tender sales to date	0	0	1,020	0	1,020
Total gilt sales to date	20,775	19,264	28,395	18,116	86,549
Auction sales required to meet plans	11,525	6,136	8,633	5,197	31,491
Number of auctions remaining	3	2	4	4	13
Currently required average auction sizes	3,842	3,068	2,158	1,299	
Planned gilt sales at auctions	32,300	25,400	26,500	15,000	99,200
Number of auctions scheduled	8	8	12	11	39
Minimum syndication sales plan	0	0	9,500	15,700	25,200
Syndication sales required to meet minimum plan	0	0	-8	7,387	7,380
Remaining unallocated supplementary sales					1,980
Balance of supplementary gilt sales					9,360
Total planned supplementary gilt sales					28,200
Total planned gilt sales					127,400
Required gilt sales remaining					40,851

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

	Auction	Syndication	Mini-tender	Unallocated supplementary	Total
Short conventional					
£ billion	32.3				32.3
Per cent					25.4%
Medium conventional					
£ billion	25.4				25.4
Per cent					19.9%
Long conventional					
£ billion	26.5	9.5	1.0		37.0
Per cent					29.0%
Index-linked					
£ billion	15.0	15.7			30.7
Per cent					24.1%
Unallocated					
£ billion				2.0	2.0
Per cent					1.6%
Total £ billion	99.2	25.2	1.0	2.0	127.4
	77.9%	19.8%	0.8%	1.6%	
<i>Figures may not sum due to rounding</i>					

Annex C: Updated financing arithmetic for 2015-16

Financing Arithmetic 2015-16	July Budget	AS 2015
a) Financing items		
Central Government Net Cash Requirement exc. NRAM, B&B & Network Rail	71.6	75.5
Gilt redemptions	70.2	70.2
Financing for the Reserves	5.3	5.3
Financing adjustment carried forward from the previous financial years	-13.1	-13.1
Gross Financing Requirement	134.1	137.9
<i>Less:</i>		
Net contribution from National Savings & Investments	10.0	9.3
Other financing items*	0.2	0.2
Net Financing Requirement for DMO (NFR)	123.9	128.4
b) Financed by:		
1. Debt issuance by the DMO		
a) Treasury bills (planned change in stock issued at tenders)	-3.5	1.0
b) Gilt sales (planned outright sales)	127.4	127.4
- Short conventional	32.3	32.3
- Medium conventional	25.4	25.4
- Long conventional	36.8	37.0
- Index-linked	30.2	30.7
- Unallocated supplementary sales	2.7	2.0
2. Planned change in the level of the Ways and Means	0.0	0.0
Total financing	123.9	128.4
Short-term debt/cash levels at end of financial year		
Treasury bill stock via tenders (in market hands)**	61.5	66.0
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5
<i>Figures may not sum due to rounding.</i>		
*Prior to publication of the end-year outturn in April 2016, the figure for 2015-16 will only comprise estimated revenue from coinage.		
**The DMO has flexibility to vary the planned Treasury bill stock by a maximum of £5 billion before financial year end, relative to these plans. This can be used to offset any anticipated net surplus or deficit for the Exchequer. Effective from 2015-16, this flexibility can be extended into the following financial year.		