

AUTUMN STATEMENT 2013: REVISION TO THE DMO FINANCING REMIT 2013-14

1. Planned gilt sales are being reduced by £2.0 billion and planned sales of Treasury bills are being reduced by £13.5 billion following the publication of the new fiscal aggregates announced in the Office for Budget Responsibility's (OBR's) December 2013 *Economic and Fiscal Outlook*.
2. The reduction in planned gilt sales is being implemented via the mini-tender programme, reducing the size of that programme from £8.5 billion¹ to £6.5 billion, and the size of the overall gilt sales programme to £153.7 billion.
3. The reduction in planned Treasury bill sales will take the forecast level of Treasury bills at end-March 2014 from £70.0 billion to £56.5 billion.

Reduction in average gilt auction sizes

4. The average sizes of gilt auctions for the remainder of the financial year are today being reduced as shown below as a result of the application to auction size calculations of actual (year to date) and assumed future proceeds from the Post Auction Option Facility (PAOF) in 2013-14².

Average required auction sizes (£bn)	April Revision	At 4 December	Post-AS 2013
Short	4.77	4.95	4.14
Medium	3.61	3.65	2.95
Long	2.50	2.64	1.90
Index-linked	1.62	1.60	1.38

Rescheduling the index-linked gilt auction from 25 March to 27 March 2014

5. At Budget 2013, 25 March 2014 was announced as the planned date for an index-linked gilt auction. The Office for National Statistics has subsequently announced that consumer prices indices data (including RPI) will be published on 25 March 2014; as a consequence the index-linked gilt auction previously scheduled for that date is being moved to 27 March 2014³.

¹ The size of the mini-tender programme was reduced from an initial £10.0 billion to £9.25 billion and then £8.50 billion, following two larger than anticipated syndications in September (IL 2068) and October (3½% 2068).

² Both the PAOF proceeds which have accrued to-date (Short £1.7bn, Medium £1.5bn, Long £1.2bn and Index-linked £0.8bn) and assumed amounts for the remainder of the financial year based on the rate of take-up in the financial year to date are factored into the auction size calculations at the Autumn Statement.

³ Subject to confirmation following the Chancellor's decision on the Budgetary timetable.

6. The summary of gilt sales relative to the remit targets is shown at Annex A. The planned breakdown of gilt sales by type/maturity and method of issuance is shown at Annex B.

Treasury bill sales

7. The planned end-March 2014 stock of Treasury bills is being reduced by £13.5 billion to £56.5 billion. It is now anticipated that the stock of Treasury bills in market hands will fall by £0.7 billion in 2013-14 as opposed to the planned stock-build of £12.8 billion announced at the remit revision in April. This reduction is consistent with the role of Treasury bills to protect the gilt sales programme from a significant in-year change, where practicable. The reduction will be achieved by not implementing the increases in the sizes of weekly tenders that would have been required to hit the previously planned end-financial year stock of £70.0 billion.
8. The total amount of Treasury bills in market hands at end-March 2014 will also include the sale on a bilateral basis by the DMO of Treasury bills that mature in 2014-15 (the total amount of such bills sold to-date in 2013-14 is £0.3 billion). An update will be provided at Budget 2014.

Changes to the financing requirement at the Autumn Statement 2013

9. The OBR's latest forecast for the Central Government Net Financing Requirement (excluding Bradford & Bingley (B&B) and Northern Rock (Asset Management) (NRAM)) (CGNCR exc. B&B and NRAM) in 2013-14 is £99.0 billion, a reduction of £12.0 billion from the forecast at Budget 2013. The other main factor impacting on the DMO's forecast net financing requirement in 2013-14, which has fallen by £15.5 billion to £153.0 billion, is:
 - a revised forecast net contribution to financing by National Savings & Investments (NS&I) of £3.5 billion, compared to a zero net contribution forecast at Budget 2013.
10. The updated financing arithmetic is shown at Annex C.

Future illustrative gross financing requirements

11. The OBR's December 2013 *Economic and Fiscal Outlook* includes updated projections for the CGNCR exc. B&B and NRAM from 2014-15 to 2018-19. Revised illustrative gross financing projections are shown below. These illustrations include forecasts of gilt redemptions in these years (which make

no assumptions about future gilt issuance) and, for 2014-15, financing for the Official Reserves.

12. The illustrative gross financing projections below are not gilt sales forecasts; they make no assumptions about any contributions to financing from Treasury bill sales or NS&I.

(£ billion)	2014-15	2015-16	2016-17	2017-18	2018-19
CGNCR exc. B&B and NRAM projections	99	84	71	43	9
Gilt redemptions	62	70	69	79	67
Financing for the Official Reserves	6	0	0	0	0
Illustrative gross financing requirement	167	154	140	123	76
<i>Figures may not sum due to rounding.</i>					

5 December 2013

Annex A: Gilt sales relative to remit plans at Autumn Statement 2013

Gilt sales relative to remit plans at Autumn Statement 2013 (£ millions)					
	Conventional Gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction sales in the financial year to-date	28,037	21,543	19,724	16,321	85,624
PAOF sales in the financial year to-date	1,705	1,505	1,237	751	5,198
Auction and PAOF sales in the financial year to date	29,742	23,047	20,961	17,072	90,822
<i>PAOF sales since the Autumn Statement</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Syndication sales in the financial year to-date			9,241	9,111	18,352
Mini-tender sales in the financial year to-date	1,922	1,490	0	684	4,096
Total gilt sales in the financial year to-date	31,664	24,537	30,202	26,867	113,271
Required auction sales to meet plans					
Sales required	13,158	9,453	4,039	7,228	33,878
Less remaining assumed PAOF proceeds to end-financial year	754	618	238	318	1,928
Auction sales currently required to meet plans	12,404	8,835	3,801	6,910	31,950
Number of auctions remaining	3	3	2	5	13
Currently required average auction sizes	4,135	2,945	1,900	1,382	
Syndication sales required to meet plan			9	4,139	4,148
Mini-tender sales required to meet plan					2,404
Total planned gilt sales					153,700

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

	Auction	Syndication	Mini-tender	Total
Short conventional				
£ billion	42.90			42.90
Per cent				27.9%
Medium conventional				
£ billion	32.50			32.50
Per cent				21.1%
Long conventional				
£ billion	25.00	9.25		34.25
Per cent				22.3%
Index-linked				
£ billion	24.30	13.25		37.55
Per cent				24.4%
Total	124.70	22.50	6.50	153.70
	81.1%	14.6%	4.2%	
<i>Figures may not sum due to rounding</i>				

Annex C: Updated financing arithmetic for 2013-14

(£ billion)	April	AS 2013
Central Government Net Cash Requirement exc. B&B and NRAM	111.0	99.0
Gilt redemptions	51.5	51.5
Financing for the Official Reserves	6.0	6.0
Gilt secondary market purchases ¹	0.0	0.0
Planned short-term financing adjustment ²	0.0	0.0
Gross Financing Requirement	168.5	156.5
Less:		
Contribution from National Savings & Investments	0.0	3.5
Net Financing Requirement	168.5	153.0
Financed by:		
1. Debt issuance by the DMO		
a) Treasury bills (net stock change in financial year)	12.8	-0.7
b) Gilt sales (planned outright sales)	155.7	153.7
Short conventional	42.9	42.9
Medium conventional	32.5	32.5
Long conventional	33.5	34.3
Index-linked	36.8	37.6
Mini-tenders	10.0	6.5
2. Other planned changes in short term debt³		
Ways and Means	0.0	0.0
3. Change in the DMO short term cash position⁴	0.0	0.0
Total financing	168.5	153.0
Short-term debt levels at end of financial year		
Treasury bill stock (in market hands)	70.0	56.5
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5
<i>Figures may not sum due to rounding.</i>		
<p>1. 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.</p>		
<p>2. 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.</p>		
<p>3. 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.</p>		
<p>4. The change in the short-term cash position for 2013-14 (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 directly 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 (reduction) in the financing requirement for the following financial year.</p>		