

## **Pre-Budget Report (PBR) 8 November 2000: DMO remit**

There is no change to the volume of planned gilt sales in 2000-01 following today's PBR. Gilt sales remain fixed at £10 billion (cash) split between index-linked gilts (£3.5bn) and long conventionals (£6.5bn).

As foreshadowed in the 12 June restatement of the DMO remit, the maximum size of debt buy-backs in 2000-01 will be increased by £1.5 billion to £5.0 billion (cash).

As a result of the increase in debt buy-backs, the revised net financing requirement is estimated to be -£6.4 billion. With planned gilt sales of £10 billion, this implies the need for an overall reduction in net short-term debt of £16.4 billion compared to the projections for the financial year as a whole set out at the time of the Budget in March 2000.

A reduction of £4 billion of net short-term debt was announced on 12 June with the implementation of the remaining contingencies in the March remit (reducing the planned level of Ways and Means advance and Treasury bills by £2 billion each); leaving a balance of £12.4 billion to be specified today. This amount is larger than the residual of £10.7 billion announced on 12 June primarily as a result of the impact of a higher estimated Central Government Net Cash Requirement surplus, counterbalanced to some extent by the increased level of debt buy-backs and a decline in assumed net financing from National Savings.

The further reduction in net short-term debt is being achieved by:

- a further reduction of £1.6 billion in the end-March 2001 level of the Ways and Means advance at the Bank of England (to £13.4 billion);
- a further reduction of £4.5 billion in the planned end-March 2001 stock of Treasury bills (to £3.5 billion);
- the balance of £6.3 billion will be maintained as a short-term cash position (to be run down over the next three financial years).

Any under- or over-shooting of the CGNCR forecast for 2000-01 will be accommodated by changes in the short-term cash position or the Treasury bill stock.

The DMO will be responsible for the management of the short-term cash position as an extension to its cash management responsibilities and will publish an update to the range of short-term instruments in which they may transact.

This screen announcement is also appearing on the DMO website [www.dmo.gov.uk/what's new](http://www.dmo.gov.uk/what's%20new) (including a table showing the movements in short term debt in 2000-01).

The revised gilt financing arithmetic for 2000-01 is below.

<b>PBR: Gilt financing arithmetic (£bn)</b>	<b>12-Jun-00</b>	<b>PBR forecast</b>
CGNCR Budget forecast	-4.9	
Unanticipated Spectrum receipts	-19.5	
<b>CGNCR forecast</b>	<b>-24.4</b>	<b>-28.2</b>
Prefinancing foreign currency debt	9.5	9.3
Gilt redemptions	18.6	18.6
Debt buy-backs	3.5	5.0
Gilt sales residual	-12.8	-12.8
<b>Financing requirement</b>	<b>-5.6</b>	<b>-8.1</b>
<i>Less</i>		
Net National Savings contribution	-0.8	-1.5
DMO Balance at the Bank of England	-0.2	-0.2
<b>Net financing requirement</b>	<b>-4.6</b>	<b>-6.4</b>
<u>Contingencies</u>		
Repayment of Ways and Means advance	-2.0	-3.6
Reduction in planned Treasury bill stock	-2.0	-6.5
<b>Further reduction in net short-term debt</b>	<b>-10.7</b>	<b>-6.3</b>
<b>Planned gross gilt sales</b>	<b>10.0</b>	<b>10.0</b>
<i>Note figures may not sum due to rounding.</i>		