

REVISION TO HM TREASURY'S GILT REMIT TO THE DMO 2000-01

TEXT OF A PARLIAMENTARY QUESTION ANSWERED BY THE ECONOMIC SECRETARY AT 3.30PM ON 12 JUNE 2000

In light of recent developments which have increased cash receipts this financial year by £19.5 billion more than the Budget forecast the Government is making the following changes to the Debt Management Office's gilt remit for 2000-01.

Quantity of Gilt Sales

The DMO will aim for gilt sales of £10 billion in 2000-01, a reduction of £2.2 billion on previous plans. There will be no further reductions in gilt sales this financial year.

Amount and Maturity Mix of Conventional Gilt Issuance

DMO will hold two further conventional auctions in the long (15 years and over) maturity area. DMO should aim for total conventional gilts sales of £6.5 billion for 2000-01.

Exercise of contingency measures in the Debt Management Report

HM Treasury will accommodate £5.9 billion of the receipts by pre-financing £3.9 billion of foreign currency debt due to mature in 2001-02 and £2.0 billion of foreign currency debt due to mature in 2002-03. This differs from the £5.7 billion figure in the Debt Management Report due to the fall in sterling against the dollar since the Budget.

The planned Treasury Bill stock will also be reduced by £0.7 billion to £8 billion.

Buy-backs of debt

The buy-back programme may be increased later in the year to a maximum of £5 billion. This will be decided at the time of the Pre-Budget Report.

Net short term debt

The remaining proceeds (£10.7 billion before any increase in buy-backs) will be used to reduce net short term debt (the Ways and Means balance, Treasury Bills less short term assets). Given that £10 billion of the proceeds are not expected until later in the year, decisions on the composition of the reduction in net short term debt will also be made at the time of the Pre-Budget Report, also taking into account any revision to the forecast Central Government Net Cash Requirement.

The reduction in net debt will be unwound in 2001-02 and 2002-03 reducing gilt sales during this period.

Gilt auction calendar

Date	Type
Wednesday 26 July	Index-linked
Wednesday 25 October 2000*	Index-linked
Late November/early December 2000*	Conventional
Wednesday 24 January 2001	Index-linked
Wednesday 28 March 2001*	Conventional

**Exact dates subject to confirmation following the Chancellor's decision on the Budgetary timetable*

CENTRAL GOVERNMENT FINANCING REQUIREMENT 2000-2001 (£bn)

(Figures may not sum due to rounding)

	Budget: 2000	March	12 June 2000
Central Government Net Cash Requirement forecast		-4.9	-4.9
Impact of Spectrum receipts			-19.5
Replacing foreign currency debt*		3.5	9.5
Redemptions		18.6	18.6
Debt buy-backs		3.5	3.5
Residual from 1999-2000		-9.5	-12.8
Financing requirement		11.2	-5.6
Less			
National Savings contribution		-0.8	-0.8
DMO cash deposit at Bank of England		-0.2	-0.2
<i>Original short term debt contingencies</i>			
Repayment of Ways and Means		-	-2.0
Reduction in planned Treasury bill stock		-	-2.0
Further reductions in net short-term debt			-10.7
Gilt sales planned		12.2	10.0
Of which:			
Short conventionals		0.0	0.0
Medium conventionals		2.2	0.0
Long conventionals		6.5	6.5
Index-linked		3.5	3.5

**including original remit financing (now worth £3.6bn) and implementation of contingencies (worth £5.9 billion) both estimated at current exchange rates.*