www.dmo.gov.uk

United Kingdom Debt Management Office

Report and Accounts

2002 / 2003

Presented to Parliament in Pursuance of Section 7 of the Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed 17 July 2003

The United Kingdom
Debt Management Office
is an Executive Agency of
HM Treasury

HC 865

LONDON: The Stationery Office

This publication is available in electronic form on the DMO web site www.dmo.gov.uk

All the DMO's publications are available on its web site including:

- annual review covering the main developments for the financial year in which the DMO has been in operation;
- quarterly reviews highlighting more recent developments in the DMO's gilts and cash market activities;
- guides for potential investors in gilts - both wholesale and retail;
- the DMO's annual Report and Accounts for its administrative expenditure and also for the operation of the Debt Management Account;
- Operational Notices covering the DMO's market activities in the gilts and cash markets;
- The DMO's annual business plan;
- The DMO's framework document (which sets out the DMO's relationship with HM Treasury).

Alternatively, hard copies of these publications are available form the DMO by telephoning 020 7862 6501.

United Kingdom Debt Management Office
Eastcheap Court
11 Philpot Lane
London EC3M 8UD

United Kingdom Debt Management Office

Report and Accounts

2002 / 2003

Presented to Parliament in Pursuance of
Section 7 of the Government Resources
and Accounts Act 2000.

Ordered by the House of Commons
to be printed 17 July 2003

HC865 LONDON: The Stationery Office £11.15

Contents

Chief Executive's Foreword

Consolidation and expansion

2002-03, the fifth year of the DMO's operations, was notable in a number of respects; it saw the first year of positive net gilt issuance since 1997-98 (+£7.8 billion) as the Government's financing requirement rose; it saw the return to issuance in the short maturity sector for the first time since 1999, with the issue of 5% Treasury Stock 2008 and it also saw the issue of the first new index-linked stock for a decade (2% Index-linked Treasury Stock 2035). The impact of geopolitical turbulence in the Middle East also benefited gilts as well as other government bond markets, with gilt yields falling to levels not seen since the 1950s.

In the cash markets, the stock of Treasury bills continued to climb over the financial year from £9.7 billion to £15.0 billion (and peaking at over £22.0 billion) as their importance as a cash management tool grew. We also expanded the range of available maturities and in May 2002 the DMO began issuing six-month Treasury bills alongside the existing one- and three- month maturities. The DMO continued to manage a short-term cash position as an extension of its cash management operations.

Institutionally, the year also saw the continued expansion of the DMO with the integration on 1 July 2002 of the activities of the Public Works Loan Board (PWLB) and the Commissioners for the Reduction of the National Debt (CRND). The reorganisation, implemented following a Treasury Review, is designed to deliver improved management of the central government balance sheet and to offer a more robust, flexible and innovative service to public sector clients. I believe we are taking the right steps to deliver this.

On a more personal note 2002-03 saw the departure of my predecessor, Mike Williams who had headed the DMO since its formation in April 1998. Mike's input over the past five years played a major part in establishing and maintaining the reputation of the DMO with both the Treasury and the financial markets more generally and I am most grateful to him for his valuable contribution. I look forward to building on the solid foundations that have been laid down. I am convinced that these foundations leave the DMO well placed to respond to the challenge of meeting the significantly increased financing requirement in 2003-04.

Robert Stheeman
Chief Executive and Agency Accounting Officer
14 July 2003

Background on the DMO

The DMO was established on 1 April 1998, with the aim '… to carry out the Government's debt management policy of minimising financing costs over the longer term, taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost effective way'.

In institutional terms, the DMO is legally and constitutionally part of HM Treasury, but, as an executive agency, it operates at arm's length from Ministers. The Chancellor of the Exchequer determines the policy and operational framework within which the DMO operates, but delegates to the Chief Executive operational decisions on debt and cash management, and day-to-day management of the office.

The separate responsibilities of the Chancellor and other Treasury Ministers, the Permanent Secretary to the Treasury and the DMO's Chief Executive are set out in a published Framework Document, (available on the DMO web site at www.dmo.gov.uk), which also sets out the DMO's objectives and its Chief Executive's lines of accountability. The Chief Executive is accountable to Parliament for the DMO's performance and operations, both in respect of its administrative expenditure and the Debt Management Account.

On 1 July 2002 the operations of the Public Works Loan Board (PWLB), and the Commissioners for the Reduction of the National Debt (CRND)[1] (two constituent parts of NILO) were integrated with the DMO, and the relevant PWLB and CRND staff relocated to the DMO's premises. The PWLB lends principally to local authorities for capital purposes and collects the repayments. Its responsibilities include ensuring these loans are made correctly and that there is no loss to the Exchequer. The CRND's principal function is managing the investment portfolios of certain public funds. PWLB and CRND continue to carry out their longstanding statutory functions within the DMO.

[1] The National Debt Office (NDO) previously administered the activities of the CRND.

Achievements Against Objectives and Highlights of the Year

HM Treasury Ministers set the DMO's strategic objectives, which are published in the DMO's Business Plan and it's Framework Document. The objectives for 2002-03 and the DMO's performance against them are summarised in the section below.

1. **To meet the annual remit set by HM Treasury Ministers for the sale and purchase of gilts, with high regard to long-term cost minimisation, taking account of risk.**

    - this has been successfully achieved.
    - gilt sales targets have been met through the conduct of thirteen outright gilt auctions (eight conventional and five index-linked) and one tender of index-linked stock[2]. Outright gilt sales were £26.3 billion (cash) split between £21.7 billion conventional and £4.6 billion index-linked. Net gilt issuance for the financial year was +£7.8 billion, the first year of positive net issuance since 1997-98.
    - the final outturn for gilt sales of £26.3 billion was slightly above the annual target of £26.2 billion (as increased in the Pre-Budget Report (PBR)) but within the operational tolerances allowed in the remit.

2. **To offset, through its market operations, the expected outturn cash flow into or out of the National Loans Fund (NLF), on every business day; and in a cost-effective manner, taking account of risk.**

    - this has been successfully achieved.
    - the stock of Treasury bills increased by £5.3 billion, ending the financial year at £15.0 billion. The end-year stock was intentionally £1.0 billion above the target published in the PBR but this was in line with operational tolerances. The Treasury bill stock had peaked at £22.5 billion in late December 2002 to help manage seasonal cash outflows.

3. **To manage effectively, in accordance with objectives set by HM Treasury Ministers, any assets held on the Debt Management Account.**

    - this has been successfully achieved. The DMO continued to manage a short-term net cash position as an extension of its cash management operations.

4. **To advise Ministers on setting the remit to meet the Government's objectives under 1-3 above; and to report to Ministers on the DMO's performance against its remit, objectives and targets.**

    - the DMO contributed specific advice in a number of areas of the 2002-03 remit (including the provisional remit published in March 2002 ahead of the Budget forecasts):
        - the range of contingencies to be implemented in the event of changes to the Government's financing requirement (these were implemented twice – in April 2002 when the Budget forecast was published and in November 2002 in the PBR).
        - the extent to which gilt issuance should be split between conventional and index-linked; and within conventionals the split between maturity ranges.
        - the case for new short and medium maturity conventional stocks and a new (ultra-long) index-linked stock.
        - the size and timing of auctions.

---

[2] The tender, of £74 million nominal of 2% Index-linked Treasury Stock 2035 on 14 November 2002 represented the unsold portion of the uncovered auction on 25 September 2002.

- the split between an increase in the Treasury bill stock and a run-down in the DMO's net cash position as elements of short-term debt financing.

- the DMO also contributed substantially to preparation of the "Debt & Reserves Management Report 2002-03".

- the DMO reported performance against its remit to HM Treasury on a monthly basis, and on developments in the gilts portfolio and compliance against its published targets on a quarterly basis. The annual summary of performance against these targets is published in Annex E of the DMO Annual Review.

5. To develop policy on, and promote advances in, new instruments, issuance techniques and structural changes to the debt and Treasury bill markets that may help to enhance the efficiency and lower the cost of debt and cash management, liaising as appropriate with the relevant bodies; to keep abreast of developments in debt and cash management policy and practice; and to provide policy advice to HM Treasury Ministers and officials accordingly.

- on 11 July 2002 the DMO issued the first new index-linked stock for 10 years following the auction of 2% Index-linked Stock 2035 (this was at the time the longest-dated government index-linked stock in issue internationally).

- in May 2002 the DMO issued six month Treasury bills for the first time. Unlike one and three month bills which are offered at weekly tenders, six month bills are usually offered for sale only once a month.

- following a consultation exercise with the market, on 17 July 2002 the DMO announced that it will use Treasury bills as collateral in repo and reverse-repo transactions with its cash management counterparties.

- the DMO has continued to promote the Treasury bill market; it encouraged a secondary market to develop by successfully persuading the market and CRESTCo to include Treasury bills as eligible delivery-by-value (DBV) collateral (following dematerialisation), thereby making treasury bills a more liquid security.

- on 29 November 2002 the DMO issued a consultation document (jointly with CRESTCo) seeking market views on whether International Securities Identification Numbers (ISINs) should change on redenomination in the event that the UK joined the euro. There was insufficient feedback to lead the DMO to alter its view that ISINs should not change. This outcome was endorsed by the City Euro Group on 3 February 2003. On 4 February 2003 the DMO published its response confirming its intention not to change ISINs on any future redenomination.

6. To conduct its market operations, liaising as necessary with the relevant bodies, with a view to maintaining or promoting an orderly, efficient and liquid market for gilts.

- the DMO was able to issue both a new short and medium maturity conventional gilt in 2002-03. The new short (5% Treasury Stock 2008) was the first new such stock since 1999. Its initial auction in June 2002 was followed in August by a conversion offer from 9% Treasury Stock 2008 which increased the amount of the new stock in issue by £5.9 billion, taking it to benchmark size. 5% Treasury Stock 2008 was increased to £14.2 billion in issue by the end of the financial year.

- a second series of conventional gilt strips dates (7 March / 7 September) was introduced – becoming effective on 2 April 2002 (alongside the existing series of 7 June/ 7 December). Four stocks (5% Treasury Stock 2008, 5% Treasury Stock 2012, 5% Treasury Stock 2014 and 5% Treasury Stock 2025) had strippable dates on the new series at end-March 2003.

- the DMO operated its standing repo facility only once (in September 2002) compared to 15 times in 2001-02.

7. To provide, including in liaison with the Bank of England and CRESTCo, a high quality and efficient service to investors in Government debt, and to deal fairly and professionally with market participants in the gilts and money markets, consistent with achieving low cost issuance and an efficient market.

- the DMO continued to hold its regular quarterly consultation meetings with GEMMs and gilt market investors to discuss their views on gilts issuance in the succeeding quarter. It also began publishing summary minutes of the meetings on its screens and website on the day after the meeting.

- additional meetings were held with the Financial Secretary in January 2003 to discuss views of market participants on the shape of the DMO remit for 2003-04. Representatives of the DMO also visited gilt market investors based in Scotland in February 2003 to canvass their views on the 2003-04 remit.

8. To contribute to HM Treasury's work on the development of the strategy for managing the Government's financial assets and liabilities.

- following a review of the arrangements and future requirements for government debt and asset management HM Treasury announced on 25 March 2002 that the activities of the PWLB and the CRND were to be integrated with the DMO. The reorganisation, which was designed to deliver improved management of the central government balance sheet and to offer a more robust, flexible and innovative service to public sector clients, took effect on 1 July 2002. Since the merger, PWLB and CRND business processes and the relationship between them and existing DMO processes have been and continue to be reviewed to optimise internal operating efficiencies.

- following discussions in 2001-02 with HM Treasury, the DMO developed a new version of its simulation model, which can be used to quantify the likely long-term costs against the fiscal risks facing government debt management. This cost-at-risk modeling can be used to enhance the transparency and predictability of the decisions underpinning the debt management remit as well as long-term cost savings. Some preliminary results were published in the Debt and Reserves Management Report 2003-04.

9. To make information publicly available on the debt and Treasury bill markets and DMO policies where that contributes through openness and predictability to efficient markets and lower costs of issuance.

- the DMO has continued to expand the content of and resources devoted to its website www.dmo.gov.uk. All the DMO's publications and an increasing amount of data on both the gilts and cash markets appear on the site. PWLB and CRND maintain their own dedicated sites www.pwlb.gov.uk and www.crnd.gov.uk which provide information on their respective activities to their clients.

- minutes of consultation meetings with gilts market participants about forthcoming operations in the gilts market appear on the DMO web site the day after the meetings take place.

10. To contribute to the Government's wider objectives for financial cost-effectiveness and risk reduction, including by developing partnerships with other parts of the public sector, and by providing advice and expertise to other Government departments (and other governments) as required.

- the DMO has continued to develop a number of projects with other Government departments utilising the specialist financial market knowledge it has acquired in carrying out its debt and exchequer cash management responsibilities.

- on 19 September 2002 the DMO announced a package of changes to the DMADF through which selected local authorities may deposit cash with the DMO. The initial pilot-scheme, launched in April 2002, was put onto a longer-term footing. The number of local authorities who may use the facility was increased from 50 to 150 and the terms of the fixed deposit product were amended (the maximum maturity was doubled to six months and the minimum transaction size was reduced from £1 million to £250,000).

- the DMO has continued to execute equity index-swaps used as a hedge for the commitment embodied in the Guaranteed Equity Bond (GEB) issued by National Savings & Investments (NS&I). The GEB requires NS&I to pay a return on an equity index over a particular period, where this is positive, with a minimum commitment to repay the capital sum invested.

11. To resource, staff and manage the DMO to deliver its objectives effectively and efficiently and to ensure value for money in its administrative expenditure.

- the DMO has continued to grow, reflecting in particular the integration of PWLB and CRND, which took the number of DMO employees to around 80 at the end of the 2002-03 financial year.

- the DMO applied for and was successfully re-accredited with IiP status in December 2002. The new accreditation runs for a period of three years.

- as part of its commitment to maintaining IiP status the DMO has introduced a rigorous corporate training plan to enhance the skills base of its employees.

- the DMO's annual (administrative) report and audited accounts for 2001-02 were published on 23 July 2002.

- the audited accounts of the DMA for 2001-02 were published on 19 December 2002.

- the DMO published its policy statement on Health and Safety on 7 January 2003.

12. To develop appropriate management, information and control systems with high regard to risk management; and to ensure full and accurate presentation of accounting and other information.

- internal reporting arrangements exist and have continued to be developed to help the Chief Executive to meet his internal control responsibilities as required under the Turnbull Guidelines.

- the DMO's internal audit function has completed operational audits and provided controls related advice in accordance with the annual audit programme; it has operated in accordance with the requirements contained in Government Internal Audit Standards.

- the DMO has upgraded its core transaction reporting system in the period which will provide a range of benefits including making it easier to develop and extract data for management information purposes.

- during the year DMO undertook an extensive analysis of its risk IT systems requirements. An implementation project has now started which will be completed during 2003-04 and will allow DMO to adopt good risk management practice across both current and future business streams.

- the DMO has successfully met the requirements of Section 19 of the Freedom of Information Act 2000 by compiling and implementing Publication Schemes for the DMO, the PWLB and the CRND. These are available on the agency's websites and in hardcopy on request.

- the DMO has also successfully re-evaluated its data protection notifications with the Office of the Information Commissioner post-merger to ensure ongoing compliance with the Data Protection Act 1998. Work on bringing together record keeping systems has been progressing and includes integrating the management of records held electronically, part of work towards the 2004 target for full electronic records management.

Performance Against Targets

In addition to the strategic objectives covered in the previous chapter, the DMO is set a number of specific targets against which to further measure performance.

1. To ensure full compliance with the Government's remit for the DMO as set out in the Debt and Reserves Management Report 2002-03, within the tolerances and subject to the review triggers notified separately to the Office and consistently with the objectives of monetary policy.

The DMO complied fully with the gilts remit 2002-03. The gilt sales target, which was increased from £22.4 million (cash) at Budget 2002 in April to £26.2 billion (cash) at the Pre Budget Report (PBR) in November 2002 was met through the conduct of 13 outright gilt auctions and one index-linked gilt tender, as follows:

- 24 April 2002: £425 million (nominal) of 2½ % IL 2020.
- 29 May 2002: £2,250 million (nominal) of 5% 2025.
- 25 June 2002: £3,000 million (nominal) of a new stock, 5% 2008.
- 10 July 2002: £950 million (nominal) of a new stock, 2% IL 2035.
- 24 July 2002: £2,750 million (nominal) of 5% 2008.
- 25 September 2002: £900 million (nominal) of 2% IL 2035 (however this auction was uncovered and £74 million (nominal) of the stock was retained for subsequent sale (it was sold by tender on 14 November 2002).
- 22 October 2002: £2,750 million (nominal) of 5% 2014.
- 24 October 2002: £450 million (nominal) of 2½% IL 2013.
- 3 December 2002: £2,750 million (nominal) of 5% 2025.
- 15 January 2003: £2,750 million (nominal) of 5% 2008.
- 22 January 2003: £425 million (nominal) of 2½% IL 2020.
- 26 February 2003: £2,750 million (nominal) of a new stock 4¼% 2036.
- 26 March 2003: £2,500 million (nominal) of 5% 2008.

Gilt sales at the end of the financial year were £26.3 billion (cash). The DMO complied fully with the cash management remit in 2002-03. Over the financial year, the stock of Treasury bills increased from the 2001-02 end-financial year remit target of £9.7 billion to £15.0 billion as part of the strategy to manage substantial net cash outflows over the year. The final stock was intentionally above the end-financial year target of £14.0 billion and in line with operational tolerances. The DMO also continued to manage a short-term cash position in line with the agreed remit.

2. To ensure that the maximum time taken to issue the results of gilt auctions does not exceed 40 minutes, that for structured Treasury Bill tenders does not exceed 30 minutes, and that for ad hoc Treasury Bill or other tenders does not exceed 15 minutes, whilst achieving complete accuracy.

Achieved. The gilt auction result release times during the financial year were:

- 24 April: 2½% IL 2020 — 24 minutes.
- 29 May: 5% 2025 — 30 minutes.
- 25 June: 5% 2008 — 26 minutes.
- 10 July: 2% IL 2035 — 21 minutes.
- 24 July: 5% 2014 — 25 minutes.
- 25 Sept: 2% IL 2035 — 38 minutes.
- 22 October: 5% 2014 — 25 minutes.
- 24 October: 2½ % IL 2013 — 21 minutes.
- 14 Nov: 2% IL 2035 (tender) — 9 minutes.
- 3 December: 5% 2025 — 28 minutes.
- 15 January: 5% 2008 — 23 minutes.
- 22 January: 2½% IL 2020 — 23 minutes.
- 26 February: 4¼% 2036 — 29 minutes.
- 26 March: 5% 2008 — 27 minutes.

The release times for the results of the weekly treasury bill tenders held during the financial year ranged from 7 to 18 minutes and averaged 9.9 minutes. There were no ad hoc or other tenders.

3. To achieve complete accuracy, within agreed accounting tolerances, in the recording and reporting of transactions through the DMA, and in delivering money (and reconciling payments) to the NLF and to meet the statutory deadlines for the publication or submission for audit of the annual reports of the DMO agency and DMA.

Achieved. All transactions going through the DMA have met the required standards. NLF balances are checked and agreed with EFA on a daily basis.

The Agency Accounts for 2001-02 were published on 23 July 2002 ahead of the required deadline (of 24 July – the day the House of Commons rose for the Summer Recess). The DMA accounts for 2001-02 were published on 19 December.

4. To acknowledge all letters and e-mail enquiries from the public within 5 working days and for at least 95 per cent to be sent a substantive reply within 2 weeks.

Achieved. 367 enquiries were received from the public by letter and email in the financial year (of which 320 were emails). The average response time was 2 working days.

5. To achieve less than 6 breaches of Operational market notices (excluding any breaches which HM Treasury accept were beyond the control of the Office).

Achieved. There were no breaches of the operational market notices in the financial year

6. To ensure that the statutory constraint on DMO market borrowing (not to exceed its deposits with the NLF and Bank of England) is always met.

Achieved. The DMO's outstanding borrowing with the market was always smaller than its deposits with the NLF and the Bank of England.

7. To ensure that, where there is a late change in the forecast, any necessary use of end of day borrowing or lending facilities is notified by the due time.

Achieved. Deadlines for late lending and borrowing were met. In addition, in the event of a late shutdown the actual due time is moved, but the target remains the same.

8. To ensure that instructions to counterparties, agents and external systems are complete, accurate and timely, and that monitoring of the progress of transactions through settlement is effective, so that the DMO achieves at least 99% (by value) successful settlement of agreed trades on the due date.

Achieved. Total turnover in the financial year was £664.3 billion. No trades failed as a result of circumstances within the DMO's control.

Trades failing as a result of circumstances outside the DMO's control, totalled £846 million (or 0.13% of turnover).

9. To release all market sensitive data and announcements in a timely manner and to achieve no more than 10 factual errors in material published by the DMO, including on the DMO web site (insofar as the material is under the control of the DMO and not third parties).

All releases and announcements were made in a timely manner.

Thirteen factual errors were discovered (and quickly corrected) on the DMO web site in the financial year.

Resources

1. Integration of the National Investment and Loans Office

On 1 July 2002, following a review by HM Treasury of the arrangements for managing the Government's debts and assets, the Commissioners for the Reduction of the National Debt (CRND: formerly known as the National Debt Office) and the Public Works Loan Board (PWLB) were integrated with the UK Debt Management Office. Both the CRND and the PWLB had been part of the National Investment and Loans Office (NILO). The reorganisation, whilst maintaining the provision of existing services, was designed to improve the management of the central government balance sheet and offer a more robust, flexible and innovative service to public sector clients. As part of the same reorganisation the remaining part of NILO, the Office of HM Paymaster General (OPG) was merged with the Treasury, and NILO was abolished.

As a result, the numbers of full-time employed staff at the DMO increased by 26 when the staff of CRND and PWLB moved to Eastcheap Court; these are reflected in the following section.

2. Staff and recruitment

During the year staff numbers increased to 83 people predominantly as a result of the merger described above. Included in the staff total are two ongoing secondments from the Bank of England and one from HM Treasury.

In 2002-03 recruitment campaigns were held to fill the following seven vacancies.

- Operational Auditor
- Policy Advisor
- Economist & Policy Advisor
- IT Technical Support
- Programmer Analyst
- Website Content Administrator
- Settlements Officer (Temporary)

A diversity breakdown of the successful applicants is detailed below.

- Female: four
- Male: three

of which,

- Disabled: none
- White: three
- Other categories: four

All vacancies are also now advertised on the recruitment page of the DMO web site www.dmo.gov.uk. New staff have been recruited predominantly from the private sector.

All recruitment to new posts was carried out on the basis of fair and open competition and selection on merit in accordance with the guidance as laid down by the Civil Service Commissioners and was subject to internal compliance audit. All candidates were selected in accordance with the DMO's equal opportunities policy - see below.

There were however, two occasions where the exceptions provided in Part III (paragraph 3.3 (d)) of the Civil Service Commissioners' Recruitment Code were used in respect of particular employment decisions;

- extensions of appointments of up to 12 months up to a maximum of 24 months. The Commissioners granted exceptional approval for the DMO to extend a casual appointment to 27 months in order to retain experience in the Settlements area. This was necessitated by the ongoing workload and a period of change, post-merger.

- extension of secondment over the normal 5 year limit with the agreement of the Commissioners to provide ongoing continuity and support during a time of organisation change.

3. Equal opportunities

The DMO is an equal opportunities employer. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of gender, gender re-assignment, marital or family status, colour, racial origin, sexual orientation, age, background, religion, disability, Trade Union membership or by any other condition or requirement which cannot be shown to be justifiable. The DMO attaches great importance to its equal opportunities policy, which it believes to be of benefit to itself and its employees

4. Employee relations

The DMO continues to maintain effective employee relations and to involve staff in key decisions.

Prior to the merger with NILO there was no union representation within the DMO although all staff have always been free to join an appropriate union and to play an active part in it. As part of the merger, and in accordance with the Transfer of Undertakings, Protection of Employment (TUPE) principles, the existing union arrangements for PWLB/CRND staff are continuing.

The DMO has additionally recently established a Staff Council as a conduit for wider communication and consultation with all staff with meetings now being held monthly.

5. Corporate Governance

A number of committees and other groups support the Chief Executive in carrying out his responsibilities. A high-level Advisory Board, advises the DMO's Managing Committee, which is in turn supported by a Credit and Risk Committee and strategy groups for each key business area (Debt, Cash, Investment). Two external non-Executive Directors, James Barclay and Colin Price are members of the Advisory Board, together with Paul Mills of HM Treasury.

The DMO established an Audit Committee in 1999 as part of its development of internal risk management and control arrangements in line with best private sector practice. The two external non-executive members of Advisory Board, James Barclay and Colin Price, are also members of the DMO's Audit Committee, which is chaired by James Barclay.

6. Improving good practice and investment in people

The DMO applied for and was successfully re-accredited with IiP status in December 2002. The new accreditation runs for a period of three years. The DMO's training and development policy is central to ensuring that the right people with the right skills are in the right job at the right time. As part of its commitment to retaining IiP status the DMO has introduced a comprehensive corporate training programme, complemented by additional specialist and individual training, to enhance the skills base of its employees.

7. Service quality

The DMO does not provide services direct to the public, and so is not covered by existing arrangements for reporting service quality. However, as part of its business planning cycle ahead of the publication of the Business Plan 2003-04 the DMO sought views from a range of its customers on our current performance and potential for improvement. Responses from market participants were generally very positive. The DMO has also continued to upgrade and expand the content of its website (www.dmo.gov.uk) on which all its publications appear and which acts as a means of communication for all those with an interest in the DMO's activities.

8. Financial performance

The DMO's net operating costs were within planned budget for 2002-03 at £7.8 million, an increase of £0.7 million on 2001-02 (restated).

The increase in DMO's net operating costs for 2002-03 reflects:

- The full year salary of new staff appointments in 2001-02 and a small number of new appointments in year to address operational risk and improve the DMO's delivery capability.
- Increased use of IT consultants to support various projects, notably to develop network security and market risk analysis.
- Increased expenditure on IT and professional data services to support new operations and to improve and maintain the efficient delivery of existing operations.

9. HM Treasury services

In view of the DMO's on-vote agency status and the diseconomies of scale inherent in setting up a wide range of internal support systems given its initial small size, several key support services have in the past year been provided by the Treasury, for example, purchase order processing, invoice processing and payment, payroll, and library. (The office is growing in size and professional capability, and some of these arrangements are likely to be taken in-house).

10. Health & safety

The DMO recognises and accepts its responsibility as a good employer for ensuring, as far as is reasonably practicable, the health, safety and welfare at work of all employees; and that the health and safety of visitors, contractors and the general public is not affected as a result of the Office's activities. Regular risk assessments are undertaken, and all employees attend Health & Safety training. The DMO has a good health and safety record, and again this year there were no incidents that required reporting to the Health & Safety Executive.

11. Sustainable development

As an Executive Agency of HM Treasury, the DMO is a party to the Joint Sustainable Development Statement, signed by the Green Minister for the Chancellor of the Exchequer's Departments and Agencies, J Healey MP and published on the DMO website.

The DMO is committed to contributing to the Government's objectives on Sustainable Development as contained in the Framework for Sustainable Development in the Government Estate.

12. Auditors' details

As specified by the Government Resources and Accounts Act 2000, the Comptroller and Auditor General is responsible for auditing the DMO's annual accounts.

Forward Look

Looking to the 2003-04 financial year, the DMO has been given a revised set of strategic objectives; these are:

The DMO's strategic objectives for 2003-04

1. To meet the annual remit set by HM Treasury Ministers for the sale and purchase of gilts, with high regard to long-term cost minimisation, taking account of risk.

2. To offset, through its market operations, in a cost-effective manner, the expected daily cash flow into or out of the National Loans Fund (NLF); and to manage, in accordance with objectives set by HM Treasury Ministers, any assets and liabilities held on the DMA, and on behalf of clients.

3. To continue to lend to local authorities and collect the repayments; to manage and develop the strategy for the Debt Management Account Deposit Facility (DMADF) and to participate actively in the development of local government finance arrangements.

4. To guide and assist in the formulation of strategy on debt, cash and fund management, including the remit, and to report to Ministers on the DMO's performance against its remit, objectives and targets.

5. To participate pro-actively in the development of strategy for managing the Government's balance sheet and accordingly to contribute to and help develop solutions for financial cost-effectiveness and risk reduction, including by developing partnerships with other parts of the public sector and by providing advice and expertise to other Government departments (and other governments), as required.

6. To resource, staff and manage the DMO to deliver its objectives efficiently, cost-effectively and professionally, ensuring value for money is achieved in the office's administrative expenditure.

7. To develop and maintain appropriate management, information and risk control systems (including procedures to combat potential money laundering); to ensure full and accurate presentation of and where appropriate facilitate access to financial, accounting and other information; to ensure accuracy of all DMO publications including its websites and to manage stakeholder relationships fairly and appropriately.

Targets for 2003-04

1. To ensure full compliance with the Government's remit for the DMO as set out in the Debt and Reserves Management Report 2003-04, within the tolerances and subject to the review triggers notified separately to the DMO and consistently with the objectives of monetary policy.

2. To ensure that the maximum time taken to issue the results of gilt auctions does not exceed 40 minutes, that for weekly Treasury bill tenders does not exceed 30 minutes, and that for ad hoc Treasury bill or other tenders does not exceed 15 minutes, whilst achieving complete accuracy.

3. To achieve complete accuracy, within agreed accounting tolerances, in the recording and reporting of transactions through the DMA, and in delivering money (and reconciling payments) to the NLF and to meet the statutory deadlines for the publication or submission for audit of the annual reports of the DMO agency and DMA.

4. To acknowledge all letters and e-mail enquiries from the public within 4 working days and for at least 95 per cent to be sent a substantive reply within 2 weeks.

5. To achieve less than 5 breaches of Operational market notices (excluding any breaches which HM Treasury accept were beyond the control of the DMO).

6. To ensure that, where there is a late change in the forecast, any necessary use of end of day borrowing or lending facilities is notified by the due time.

7. To ensure that instructions to counterparties, agents and external systems are complete, accurate and timely, and that monitoring of the progress of transactions through settlement is effective, so that the DMO achieves at least 99% (by value) successful settlement of agreed trades on the due date.

8. To release all market sensitive data and announcements in a timely manner and to aim to achieve no factual errors in material published by the DMO on its wire service pages, its websites or its printed documents (insofar as the material is under the control of the DMO and not third parties).

9. To process all loan or early settlement applications from local authorities within two working days (between date of agreement and completion of transaction).

10. To prepare for audit accounts of the funds managed for public sector clients within 6 weeks of the end of the relevant accounting periods.

3-year plan

The revised vision of the DMO includes a shift of emphasis which reflects the DMO's aim going forward of playing a more active role and taking a more proactive approach in supporting HM Treasury in developing its policies towards the central government financial balance sheet (assets and liabilities) more generally, as well as debt and cash management specifically. With a major interest in key government liabilities such as gilts and Treasury bills, and assets such as PWLB loans and CRND funds, the DMO is keen to ensure that financial cost-effectiveness is achieved (strategic objective 5). The revised vision reflects what the DMO has begun to do in practice by increasingly contributing to relevant policy issues within both HM Treasury and other government departments, while continuing to deliver its core objectives.

In 2002 the DMO merged with the CRND and PWLB (formerly parts of NILO) and the first stage of the merger involved relocating the function to sit alongside the DMO function, largely unchanged. In the short term there is much work still to do to fully integrate these functions and where necessary extend and establish key performance measures across all of its core functions. The second stage of the merger will involve integrating more fully the processes and systems with those of the wider DMO to achieve extra added value for clients.

It is this latter work that will take priority next year although from the following year the emphasis will be on the DMO seeking to contribute to a wider range of issues more actively:

In 2003-04, economic conditions are expected to have an influence on the DMO's operations in that:

- there will be a higher financing requirement than observed in recent years, which will in turn mean more gilt operations for the DMO. Each operation requires detailed preparation and can be resource intensive. This heavier programme means that the DMO may have less flexibility in terms of staff resources in particular to absorb any intra-year changes to the business plan;

- the DMO's portfolio of short-term assets (asset book) that was established following the receipt of funds from the sale of 3rd generation mobile telephone licences in 2000 is to be wound down in 2003. This will have limited impact in terms of resources, as some of the staff that managed the asset book will be managing the CRND clients' assets.

As a reflection of the change in conditions, the DMO intends to place particular emphasis on its operational efficiency and the management of operational risk – particularly in these areas. It will also apply this focus more widely by improving its analytical tools and looking to develop and enhance its performance measurement capability for the core businesses. The key focus for this year will be on what has been called "sharpening up our act".

In 2004-05, continuous improvement of delivery of core objectives; providing advice and making a fuller contribution to central government balance sheet issues; co-ordinating and driving initiatives in partnership with key stakeholders; and playing a more active role in the future direction of the DMO. This has been called "playing a more influential role".

In 2005-06, continuous improvement of delivery of core objectives; ensuring the vision for each core business is in place; taking more ownership of initiatives with key stakeholders. This has been called "consolidating the DMO's position".

Debt Management Office Annual Accounts

Year ended 31 March 2003
Presented to Parliament 17 July 2003

Contents

Foreword

Preparation of accounts

The accounts have been prepared in accordance with a direction given by HM Treasury in pursuance of section 7 (2) of the Government Resources and Accounts Act 2000. The text of the direction is reproduced on page 46. The accounts and supporting note relating to the UK Debt Management Office's activities for the year ended 31 March 2003 have been audited by the Comptroller and Auditor General.

These Resource Accounts reflect the activities previously undertaken by the National Investment and Loans Office (NILO) and have been prepared using the principal of merger accounting as set out in the *Resource Accounting Manual* issued by HM Treasury and FRS6.

History and statutory background

The United Kingdom Debt Management Office (DMO) was established on 1 April 1998 as an on-vote agency of HM Treasury. These accounts therefore cover its fifth year of operation. The agency is financed through the Treasury and operated under gross administration cost arrangements. Ministerial responsibility for the DMO is vested in the Chancellor of the Exchequer, who is supported by the Financial Secretary. The DMO's Chief Executive is also Accounting Officer and is responsible to Treasury Ministers for the overall operation of the agency in accordance with its Framework Document.

On 1 July 2002 the operations of the Public Works Loan Board (PWLB), and the Commissioners for the Reduction of the National Debt (CRND)[1] (two constituent parts of NILO) were integrated with the DMO, and the relevant PWLB and CRND staff relocated to the DMO's premises.

Principal activities

a. DMO - the DMO's aim is to carry out the Government's debt management policy of minimising financing costs over the longer term, taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost-effective way.

b. PWLB – the PWLB issues loans from central government funds, primarily to local authorities and collects the repayments. Its responsibilities include ensuring the loans are made correctly and that there is no loss to the Exchequer.

c. CRND – the CRND invests and manages certain public funds such as the United Kingdom National Insurance Fund and monies generated by the National Lottery for good causes pending drawdown by the Distribution Bodies.

Review of activities

2002-03 was another year of significant achievement for the DMO. It successfully met both its debt and cash management remits as directed by HM Treasury, as well as meeting most of its objectives and published targets in full. A full account of these is given on pages 6-18.

On 1 July, the activities and staff of the CRND and the PWLB were successfully integrated with the DMO, following a review of the arrangements for managing the Government's debts and assets carried out by HM Treasury.

[1] the activities of the CRND were previously administered by the National Debt Office (NDO).

On 11 July, the DMO issued the first new index-linked stock for 10 years following the auction of 2% Index-linked Stock 2035. This stock represented the longest-dated government index-linked stock in issue worldwide.

On 19 September, the successful pilot-scheme for the Debt Management Account Deposit Facility, which started in April 2002, was placed on a longer-term footing. The number of local authorities who may use the facility was increased from 50 to 150 and the DMO announced a package of enhancements to the scheme.

Management of the DMO

In 2002-03 Ruth Kelly had ministerial responsibility for the DMO, firstly in her role as Economic Secretary to the Treasury and then from 29 May 2002 as Financial Secretary to the Treasury.

Mike Williams, the Chief Executive, was appointed by HM Treasury to set the agency up and ensure its efficient and effective operation. He was appointed for 5 years from 1 January 1998, at the end of which he retired and the post was filled through open competition by Robert Stheeman.

A structure of corporate governance has been established to assist the Chief Executive, comprising of a high level Advisory Board that at the 31 March 2003, in addition to the Chief Executive, comprised:

Jo Whelan	- Deputy Chief Executive
Jim Juffs	- Head of Operations and Resources
Paul Mills	- HM Treasury
James Barclay	- non-Executive Director
Colin Price	- non-Executive Director

James Barclay was Chairman and Chief Executive of Cater Allen Holdings Ltd between 1985 and 1998. Colin Price was Finance Director of Shell Pensions Management Services Ltd 1991 to 2001 and a member of the Board of IMRO from 1996 to 2000. Both appointments were made by the Chief Executive and are subject to regular review.

The Advisory Board advises the Managing Committee which comprises the head of individual business units and is in turn supported by a Credit and Risk Committee and strategy groups for each key business area.

The DMO is not responsible for the remuneration of any Ministers. The Chief Executive is a member of the Senior Civil Service and HM Treasury sets his salary. The Chief Executive determines the salaries of the two non-Executive members of Advisory Board. The salaries of the remaining members of the Advisory Board and Managing Committee are set internally or by the body from whom they are seconded in line with their own pay policies. Information on the remuneration of senior managers is given in Note 2 of the Accounts. Details of pension costs are disclosed in Note 16 to the accounts.

Supplier payment policy

All the DMO's invoices are processed for payment by HM Treasury, which is committed to the CBI code on prompt payment and aims to pay all valid invoices within 30 days or less after acceptance of the relevant goods and services, or the receipt of a legitimate invoice if that is later. For 2002-03, HM Treasury achieved this payment target for 82.5% of invoices across the department. The shortfall in performance arose during the period of transition to a new financial information system. Performance has now returned to its normal high level.

Equal opportunities policy

The DMO is an equal opportunities employer. Policies are in place to guard against discrimination on grounds of gender, gender reassignment, marital or family status, colour, racial origin, sexual orientation, age, religion, disability, Trades Union membership, or by any other condition or requirement, which cannot be shown to be justifiable. The policies aim to ensure that there are no unfair or unlawful discriminatory barriers to employment or advancement in the DMO.

Disability

The DMO is committed to the promotion of opportunity in all fields and the above policy statement affirms its commitment to equality of opportunities in employment and to the development of management and staff who demonstrate clear awareness of equality issues. The DMO has a culture of inclusiveness and is working towards removing barriers to achieve full diversity.

Health and safety

DMO recognises and accepts its responsibility as an employer in accordance with the requirements of the Health and Safety at Work Act 1974. To this end DMO takes all reasonable steps to meet this responsibility by ensuring that, as far as is practicable, every employee has a place of work which is both safe and without risk to health.

Post Balance Sheet events

Following the merger of DMO and CRND in July 2002, a Business Processes Review has recommended a programme of streamlining CRND team operations and systems consolidation. This will reduce the number of staff required in direct CRND activities and five members of staff have accepted early retirement packages. The cost to the DMO of the early retirements will fall into the financial year 2003-04 and is estimated to be around £420,000.

ROBERT STHEEMAN
Chief Executive and Agency Accounting Officer
14 July 2003

Statement of Accounting Officer's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000 the Treasury has directed the DMO to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction on page 46 of these financial statements. The accounts are prepared on an accruals basis and must give a true and fair view of the agency's affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing accounts the Accounting Officer is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the agency will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

ROBERT STHEEMAN
Chief Executive and Agency Accounting Officer
14 July 2003

Statement of Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UK Debt Management Office's targets, policies and objectives set by Treasury Ministers, whilst safeguarding the public funds and agency's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Government Accounting". I am also Accounting Officer, and have corresponding control responsibilities, for the Debt Management Account. As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control.

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve targets, policies and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is under continual review and development. It is designed to identify the principal risks to the achievement of the Office's targets, policies and objectives, to evaluate the nature of and extent of those risks and to manage them efficiently, effectively and economically. This process accords with Treasury guidance and has been operational from October 2000.

The merger in July 2002 of the DMO with the Public Works and Loans Board (PWLB) and the Commissioners for the Reduction of the National Debt (CRND) has introduced new business areas requiring additional assessment of risk and controls. Work to align the control framework in operation for the management of PWLB and CRND with that of the DMO is not yet complete, although business re-engineering of CRND is in progress.

The system of internal control includes the following components:

1. The DMO has a robust corporate governance management structure comprising:
   - An Advisory Board which meets monthly to consider the plans and strategic direction of the DMO
   - A Managing Committee which meets weekly to consider strategic and operational issues, referring key issues to the Advisory Board where necessary
   - Cash Strategy, Debt Strategy, Investment, and Credit and Risk Committees
   - An Audit Committee chaired by a non-executive director, which meets on a quarterly basis to review the adequacy of the DMO's management of risk and internal controls.
2. Establishment of business objectives supported by regular review of business priorities and targets. Development and refinement of performance indicators and monitoring capabilities is an on-going process.
3. An internal audit function complying with the Government Internal Audit Standards. Internal audit reports provide an opinion on the adequacy and effectiveness of the DMO's internal control systems and where applicable contain recommendations for improvement. Delivery of audit recommendations is monitored and regularly reported to Managing Committee and Audit Committee.
4. Management in each business function is responsible for ensuring that the operations within their area are compliant with plans, policies, procedures and legislation. Compliance testing is a component of each functional review undertaken by Internal Audit. The frequency and scope of reviews for each functional area is determined by internal audit by an annual review of risk priorities across the DMO, and approved by Managing Committee.
5. The DMO's Debt and Cash Management activities, PWLB operations and its support functions are covered by procedure and control manuals. These include requirements for segregation of duties, authorisation and responsibility limits, and checklists for certain set piece activities along with reconciliation and other periodic control checks. Procedure and control manuals are maintained on an ongoing basis and are subject to a full review annually to ensure they remain relevant, comprehensive and up to date. Procedure and control manuals do not yet comprehensively cover the operations of CRND but these will be finalised once the re-engineering of this business in progress has been completed.

6. A risk management function provides control advice on risks throughout the DMO. In the DMO's management reporting structure the risk management unit is separate and independent of the DMO's trading operations. The risk management function also conducts risk analysis and provides an operational, market and credit risk capability for the DMO.

7. Presentations have been held with all staff on the DMO's risk management framework. All members of staff have job descriptions, including specific key risks to be addressed.

8. A high level risk and controls register has been produced by senior management. Risk workshops have been held with all business units (including PWLB and CRND) to ensure that key operational risks have been identified, together with an assessment of the adequacy of controls in place to manage these risks. Heads of business units assess regularly whether risks to their operations are being managed effectively. New risks, and risks where there is an increased likelihood of occurrence, are highlighted and actions identified to ensure all risks will be effectively managed. This process is supported by the maintenance of exception logs, which identify control weaknesses and resultant actions to improve controls. Key risks and exceptions are documented in a regular report produced by the Risk Management Unit for Managing Committee.

9. A mechanism for approving and prioritising the DMO's programme of projects has been established. This enables tracking and regular review of the progress of projects by Managing Committee. Improved controls are being introduced progressively in the DMO's management of its project programme. Further enhancements will shortly be established, including highlighted tracking of the projects essential for business plan delivery, amplified management accountability for delivery and, on a frequent basis, exception reporting against project plan to highlight project slippage to Managing Committee.

10. The DMO's business continuity plan, including disaster recovery site and other arrangements, is subject to continual review and update. Testing of some elements of the BCP was undertaken in the year.

11. The DMO is currently developing its portfolio risk management capability to apply a wider range of analysis and measures. Implementation of a system to deliver daily value at risk measurement is expected to be one of these.

12. The DMO has policies on anti-fraud and whistle blowing. Seminars have been held to raise staff awareness of these issues.

13. In establishing controls to deter money laundering the DMO has followed best practice, guidance in the Financial Services Authorities handbook and the joint money laundering steering group.

My review of the effectiveness of the system of internal control is informed by the development and maintenance of the internal control framework by management within the DMO, the work of the DMO's internal audit team, and comments made by the external auditors in their management letter and other reports.

ROBERT STHEEMAN
Chief Executive and Agency Accounting Officer
14 July 2003

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 28 to 45 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 31 to 32.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 23, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 24 and 25 reflects the Agency's compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the United Kingdom Debt Management Office as at 31 March 2003 and of the net operating cost, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made there under by Treasury; and

- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
14 July 2003

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Note	2002-2003 £'000	2001-2002 restated £'000
Administration costs			
Staff costs	2	3,752	3,425
Other administration costs	3	5,325	4,600
Gross administration costs		**9,077**	**8,025**
Operations related costs	4.1	2,019	1,990
Gross Administration and Operations-Related Costs		**11,096**	**10,015**
Operating income	5.1	(3,306)	(2,847)
CFER income	5.2	(2)	(31)
Net Operating Cost		**7,788**	**7,137**

STATEMENT OF RECOGNISED GAINS AND LOSSES

	2002-2003 £'000	2001-2002 restated £'000
Net gain on revaluation of tangible fixed assets	1	-

The notes on pages 31 to 45 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2003

	Note		31 March 2003 £'000	31 March 2002 restated £'000	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	6.1		1,159		1,767
Intangible assets	6.2		670		294
			1,829		**2,061**
Current assets					
Debtors	7	1,405		1,100	
Cash at bank and in hand	8	352		311	
		1,757		**1,411**	
Creditors (amounts falling due within one year)	9	**(2,233)**		**(1,540)**	
Net current (liabilities)			**(476)**		**(129)**
Total assets less current liabilities			**1,353**		**1,932**
Creditors (amounts falling due after more than one year)	10		(268)		(268)
Provisions for liabilities and charges	11		(42)		(90)
			1,043		**1,574**
Represented by:					
Taxpayers' equity					
General Fund	12		(1,043)		(1,573)
Revaluation Reserve	13		-		(1)
			(1,043)		**(1574)**

ROBERT STHEEMAN
Chief Executive and Agency Accounting Officer
14 July 2003

The notes on pages 31 to 45 form part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Note	2002-2003 £'000	2001-2002 restated £'000
Net cash outflow from operating activities	14.1	(5,825)	(5,550)
Consolidated Fund Extra Receipts		-	(748)
Capital expenditure and financial investment		(1,252)	(1,912)
Net cash outflow before financing		**(7,077)**	**(8,210)**
Financing			
Net cash requirement		7,118	7,976
Amount transferred to HM Treasury in respect of the Office of HM Paymaster General		-	(87)
Increase/(decrease) in cash in the period		41	(321)

The notes on pages 31 to 45 form part of these accounts.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1. Basis of preparation
These financial statements have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury. The particular accounting policies adopted by the DMO are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.2. Accounting Convention
The financial statements have been prepared under the historical cost convention, as modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

1.3. Fixed assets
Assets acquired for on-going use with a purchase cost in excess of £5,000 are capitalised. All assets acquired on an individual basis for ongoing use falling above this threshold will be shown as fixed assets.

Prior to 2002-03, the threshold for the capitalisation of expenditure by DMO on tangible and intangible fixed assets was £500 per item (exclusive of VAT). From 1 April 2002, this capitalisation threshold was raised to £5,000. Assets that had a net book value in the Fixed Asset Register less than this limit were depreciated to zero in year.

Fixed assets are revalued each year to the net current replacement cost by reference to appropriate indices included within *Price Index Numbers for Current Cost Accounting*, published by the Government Statistics Service. Revaluation surpluses arising from temporary changes in value are credited to the revaluation reserve. Permanent diminutions in value are charged to the operating cost statement, except to the extent that a revaluation surplus exists in respect of the same asset.

Profits or losses arising on the disposal of fixed assets are calculated by reference to the carrying value of the asset.

Internal staff costs for IT development work are capitalised as tangible assets when a distinct asset for on-going use is created or significantly developed.

Software purchases that meet the capitalisation criteria are classified as intangible assets.

1.4. Depreciation
Depreciation is provided on a straight-line basis, calculated on revalued amounts to write off assets over their estimated useful lives. The useful lives of tangible fixed assets have been estimated as follows:

IT equipment and software	3 years
Development costs	3 years
Office and other non IT equipment	5 years
Furniture, fixtures and fittings	10 years
Licence software	10 years
Leasehold improvements	lesser of 10 years or outstanding lease term

1.5. Operating leases
Amounts paid and received under the terms of operating leases are charged to the operating cost statement on a straight-line basis over the term of the lease. Operating leases are accounted for in accordance with SSAP 21. The DMO's commitments and receivables are disclosed in Note 15.

1.6. Notional charges

Central HM Treasury costs and other overheads are charged on a notional basis and included in the accounts. These charges include auditors' remuneration and centrally provided support services for payroll, procurement, finance, security, health and safety and legal services. Notional costs are charged to the operating cost statement and credited as a movement on the general fund.

1.7. Value added tax

Value added tax (VAT) on purchases, to the extent that it is irrecoverable, is charged to the operating cost statement included under the heading relevant to the type of expenditure. Where VAT is recoverable in respect of DMO expenditure, it is recovered by HM Treasury and is not refunded to the DMO.

1.8. Operating Income

Operating income for the DMO relates to cost recoveries on a full cost basis for services provided to the National Loans Fund and external clients and customers. As the agency is subject to gross administration cost control provisions, for funding purposes, HM Treasury treats operating income amounts as Appropriations-in-Aid. The operating income is principally:

- Recoveries of costs associated with the DMO acting as an agent for the National Loans Fund regarding stock listing, settlement and auction advertising;
- Charges, where statute permits, for the investment management and administration of public funds by the Commissioners for the Reduction of the National Debt;
- Fees for loans advanced to local authorities from the Public Works Loan Board.

1.9. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and non-contributory. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

1.10. Provisions

The Agency provides for legal or constructive obligations, which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 6 per cent in real terms.

2. STAFF NUMBERS AND COSTS

2.1. The average number of DMO employees during the year was as follows:

	2002-2003 Number	2001-2002 restated Number
	81	77

2.2. Aggregate staff payroll costs were:

	2002-2003 £'000	2001-2002 restated £'000
Wages and salaries	2,900	2,548
Social security costs	232	222
Other pension costs	414	374
Sub Total	**3,546**	**3,144**
Inward secondees	206	281
Total	**3,752**	**3,425**

A total of £82,354 (£64,445 in 2001-02) of staff payroll costs have been capitalised as development expenditure in the creation of software assets. These will be depreciated over three years.

2.3. The Chiefs Executive's salary and pension entitlements were as follows:

	Age	Salary received £'000	Real increase in pension at 60 £'000	Total accrued pension at 60 on 31/3/2003 £'000
Mike Williams	55	95 -100	0 - 2.5	30 - 35
Robert Stheeman	43	25 - 30	0 - 2.5	0 - 2.5

Robert Stheeman joined the DMO as Chief Executive on 6 January 2003 as successor to Mike Williams who retired on 31 March 2003.

The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme. Contributions in respect of the Chief Executive are paid by the DMO to this scheme at the rate of 18.5% of his gross salary.

The other most senior managers of the agency have not given their consent for the above information to be disclosed. This represents a departure from the disclosure requirements of the *Resource Accounting Manual* in force for the 2002-2003 accounts. However, the agency considers that the requirements of the RAM in this area may conflict with existing legislation.

2.4. The salary and pension entitlements for the Director of NILO, who retired on 1 July were as follows:

	Age	Salary received £'000	Real increase in pension at 60 £'000	Total accrued pension on retirement £'000
Ian Peattie	60	15 -20	0 - 2.5	30 - 35

2.5. The salary and allowances for the period of the most senior managers of the Agency, including the Director of NILO fell within the following ranges:

	2002-2003 Number	2001-2002 restated Number
£50,000 to £54,999	-	1
£55,000 to £59,999	-	2
£60,000 to £64,999	3	1
£65,000 to £69,999	2	1
£70,000 to £74,999	-	1
£75,000 to £79,999	1	2
£80,000 to £84,999	-	1
£85,000 to £89,999	2	1
£90,000 to £94,999	-	-
£95,000 to £99,999	1	-
£100,000 to £104,999	1	1
£105,000 to £109,999	-	-
£110,000 to £114,999	1	-

Both Non-Executive Directors, James Barclay and Colin Price, received salaries and allowances of £13,000. The other members of the DMO's Advisory Board were Mike Williams, Robert Stheeman, Jo Whelan, Jim Juffs and Paul Mills (an employee of HM Treasury and not remunerated by the DMO).

3. OTHER ADMINISTRATIVE COSTS

Other administrative costs include the following:

	2002-2003 £'000	2001-2002 restated £'000
Accommodation related costs	503	339
Consultants & Professionals	560	319
IT & Telecommunications	1,106	922
Travel, Subsistence & Hospitality	38	41
Legal Services	70	114
Training	94	120
Printing & Stationery	43	105
Rentals under operating leases - other	1,149	1,132
Other Costs	139	178
Deficit on Revaluation	(1)	395
Non-cash items:		
Depreciation	1,484	771
HM Treasury Notional Costs	40	38
Auditors Fee	20	29
Cost of capital charge	78	91
Provision for early-departure costs	2	6
	5,325	**4,600**

Rentals under operating leases include £1,139,183 for rent on building.
The auditor's fee relates entirely to audit work.

4. OPERATIONS-RELATED COSTS AND NOTIONAL INTEREST ON CAPITAL

4.1. Operations-Related Costs
Operations-related costs are costs that the DMO must incur as a result of trading and other dealing activities and are not directly controllable. They relate primarily to stock listing, settlement, auction advertising and other trading fees. Where the DMO is acting as agent for the NLF regarding these transactions, these costs are reimbursable.

	2002-2003 £'000	2001-2002 restated £'000
Settlement and Custodial Charges	1,288	1,428
Stock Exchange Listing Fees	397	292
Auction Advertising Costs	334	270
	2,019	**1,990**

4.2. Notional Interest on Capital

A charge reflecting the cost of capital utilised by the agency is included within the operating cost statement. The charge is calculated at the government's standard rate of 6% in real terms on all assets less liabilities.

5. OPERATING INCOME AND CFERS

5.1. Operating Income

Operating income amounts relate to cost recoveries made, on a full cost basis, for services provided. All operating income is treated as Appropriations-in-Aid, with the exception of interest received on Bank of England current account. Operating income for the period was generated from the following sources:

	2002-2003 £'000	2001-2002 restated £'000
Recharges to the National Loans Fund (stock listing and other fees)	731	593
Recharges to GEMMs (regarding trading system costs)	91	85
Rentals receivable in respect of operating leases	254	131
Fees and charges to CRND clients	765	651
Fees and charges to PWLB customers	1,361	1,209
Other income	104	178
	3,306	**2,847**

5.2. CFERs

CFER income in the period comprises Bank of England interest received in the year and excess Appropriations-in-Aid .

6. FIXED ASSETS

6.1. Tangible Fixed Assets

	Leasehold Improvements	IT	Telecoms	Furniture & Fittings	Other	Total
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2002	1, 109	2,311	141	172	13	3,746
Additions	47	438	14	-	-	499
Disposals due to change in capital threshold	(19)	(409)	(19)	(172)	(13)	(632)
Surplus/(deficit) on revaluation	(14)	(175)	(11)	-	-	(200)
At 31 March 2003	**1,123**	**2,165**	**125**	**-**	**-**	**3,413**
Depreciation						
At 1 April 2002	(453)	(1,369)	(91)	(57)	(9)	(1,979)
Charged in year	(77)	(745)	(40)	-	-	(862)
Released due to change of capital threshold	13	242	9	57	9	330
Backlog depreciation	6	230	21	-	-	257
At 31 March 2003	**(511)**	**(1,642)**	**(101)**	**-**	**-**	**(2,254)**
Net book value						
At 31 March 2003	**612**	**523**	**24**	**-**	**-**	**1,159**
At 31 March 2002 restated	**656**	**942**	**50**	**115**	**4**	**1,767**

Capitalised staff development costs of £82,354 (last year £64,445) are included in the tangible assets figure.

6.2. Intangible Fixed Assets

	Software £'000
Cost or valuation	
At 1 April 2002	768
Additions	753
Disposals due to change in capital threshold	(63)
Surplus/(deficit) on revaluation	(63)
At 31 March 2003	**1,395**
Depreciation	
At 1 April 2002	(474)
Charged in year	(383)
Released due to change of capital threshold	39
Backlog depreciation	93
At 31 March 2003	**(725)**
Net book value	
At 31 March 2003	**670**
At 31 March 2002 restated	**294**

7. DEBTORS

	31 March 2003 £'000	31 March 2002 restated £'000
Amounts falling due within one year:		
Prepayments and accrued income	792	680
Amounts receivable from NLF	363	261
Other Debtors	250	153
	1,405	**1,094**
Amounts falling due after more than one year:		
Prepayments and accrued income	-	6
	1,405	**1,100**

8. CASH AT BANK AND IN HAND

	31 March 2003 £'000	31 March 2002 restated £'000
Balances with the Bank of England	352	311

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2003 £'000	31 March 2002 restated £'000
Trade creditors	355	306
HM Treasury and Departmental creditors	-	39
Other creditors	50	-
Accruals and deferred income	586	816
Creditor bond interest	11	3
Payable to Consolidated Fund:		
Excess appropriations-in-aid	853	370
Other payments due to be paid to the Consolidated Fund	378	6
	2,233	**1,540**

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2003 £'000	31 March 2002 restated £'000
Deposit advance held as creditor bond	268	268

11. PROVISIONS FOR LIABILITIES AND CHARGES

Early departure costs (see also Note 1.9 and 1.10)

	2002-2003 Early departure costs £'000	2001-2002 Early departure costs restated £'000
Balance at 1 April 2002	90	148
Provided in the year	4	9
Provisions utilised in the year	(50)	(64)
Unwinding of discount	(2)	(3)
Balance at 31 March 2003	**42**	**90**

The department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 6 per cent in real terms. In past years the department paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

12. TAXPAYERS' EQUITY

Reconciliation of Net Operating Cost to Changes in General Fund

	2002-2003 £'000	2001-2002 restated £'000
Net operating cost	(7,788)	(7,137)
CFER Expense	-	(748)
Net Cash Requirement	7,118	7,976
Add: Non-Cash Charges		
Notional Interest on Capital	78	91
Auditors Fee	20	29
Provisions for early-departure costs	2	6
HM Treasury Notional Costs	40	38
	140	**164**
Net (decrease)/increase in General Fund	(530)	255
General Fund at 1 April 2002	1,573	1,318
General Fund at 31 March 2003	1,043	1,573

13. REVALUATION RESERVE

	£'000
Opening Balance at 1 April 2002	(1)
Movement on revaluation during the year	1
Balance at 31 March 2003	-

14. ANALYSIS OF CASH FLOW

14.1. Reconciliation of Operating Costs to Operating Cash Flows

	2002-2003		2001-2002 restated
	£'000	**£'000**	**£'000**
Net operating cost		(7,788)	(7,137)
Adjust for non-cash transactions:			
Depreciation & Revaluation	1,484		1,195
Notional Interest on Capital	78		91
HM Treasury Notional Costs	40		38
Auditors Remuneration	20		29
Provision for early-departure costs	2		6
Adjustment on revaluation reserve	(1)		(26)
		1,623	1,333
Adjust for movements in working capital other than cash:			
(Increase) in debtors	(305)		(635)
Increase in current creditors	645		889
		340	254
Net Cash outflow from operating activities		**(5,825)**	**(5,550)**

15. OPERATING LEASES

15.1. At 31 March 2003 commitments under operating leases were as follows:

	2002-2003 Land and Buildings	2002-2003 Other	Total	2001-2002 Total restated
	£'000	**£'000**	**£'000**	**£'000**
Operating leases which expire within one year	-	37	37	-
Operating leases which expire beyond one year but not more than five years: premises lease	1,139	-	1,139	1,139
	1,139	**37**	**1,176**	**1,139**

The 'other' annual operating lease commitment at 31 March 2003 included £27k in respect a maintenance contract for the implementation of a software system.

15.2. At 31 March 2003 receivables under operating leases were as follows:

	2002-2003 Land and Buildings £'000	2001-2002 Total restated £'000
Operating leases which expire beyond one year but not more than five years: premises lease	254	254

16. PENSION ARRANGEMENTS

The majority of the DMO's employees are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. These staff, together with staff on loan from HM Treasury and other government departments, but not those on short-term contracts, are members of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme although the Treasury's share of the underlying assets and liabilities cannot be identified. A full actuarial valuation was carried out at 31 March 2003 and details can be found in the separate scheme statement of the PCSPS (www.civilservice-pensions.gov.uk).

For 2002-03, employers' contributions of £414,000 were payable to the PCSPS (2001-02 £374,000) at one of four rates in the range 12 to 18.5% of pensionable pay based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Pension contributions paid or payable are included within the operating cost statement.

Pension benefits are provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

(a) Classic Scheme – Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium Scheme – Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths of the members pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the members ill health is such that it permanently prevents them undertaking gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic Plus Scheme – This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Pensions payable under classic, premium and classic plus are increased in line with the Retail Prices Index.

(d) Partnership Pension Account – this is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service cover and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum.

Staff on loan from the Bank of England are members of the Bank's pension scheme. Contributions to the relevant pension scheme are recharged to the DMO and included within Note 2.2.

Staff on short term contracts make their own pension arrangements.

17. CAPITAL COMMITMENTS

	2002-2003 £'000	2001-2002 restated £'000
Contracted capital commitments at 31 March 2003 for which no provision has been made	270	-

18. CONTINGENT LIABILITIES

The DMO had no contingent liabilities at 31 March 2003.

19. RELATED PARTY TRANSACTIONS

The DMO is an executive agency of HM Treasury, which is therefore regarded as a related party. During the year the DMO has had various transactions with HM Treasury for which notional charges of £40,000 are made.

During 2002-03, Mike Williams in his role as Chief Executive was a non-executive member of the board of CRESTCo Ltd (and Chairman of CRESTCo's Audit and Compliance Committee) for which he was paid a fee of £10,000, which is passed to the DMO. CRESTCo Ltd provides settlement and related services to the UK securities markets. The Bank of England settles the majority of the DMO's market transactions through the CREST and CMO systems run by CRESTCo, for which they pay CRESTCo a proportion of the settlement charges disclosed in Note 4.1.

Other related parties with whom DMO has undertaken various transactions are the Bank of England, and National Savings & Investments.

None of the Executive Board members, senior managers or other related parties has undertaken any material transactions with the DMO during the year.

20. KEY FINANCIAL PERFORMANCE TARGETS

There are no key financial targets; the DMO has a number of key targets, but these are intentionally not focused on financial accounting indicators in order to avoid undue risk to its longer-term objectives.

21. POST BALANCE SHEET EVENTS

Early retirements

Following the merger of DMO and CRND in July 2002, a Business Processes Review has recommended a programme of streamlining CRND team operations and systems consolidation. This will reduce the number of staff required in direct CRND activities and five members of staff have agreed to premature retirement on the grounds of redundancy. The cost to the DMO of the early retirements will fall into the financial year 2003-04 and is estimated to be around £420,000.

There have been no other significant or unexpected events since 31 March 2003.

22. FRS13 DISCLOSURES

Excluding the Debt Management Account, the PWLB lending facility and the CRND Investment Accounts (which are reported separately from its administrative expenditure) the DMO agency account has no material exposure to liquidity risk, interest rate risk or currency risk. The DMO agency account does not have any borrowings, deposits or foreign currency positions. All material assets and liabilities are denominated in sterling.

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to the United Kingdom Debt Management Office.

2. The United Kingdom Debt Management Office shall prepare accounts for the year ended 31 March 2003 in compliance with the accounting principles and disclosure requirements of the edition of the *Resource Accounting Manual* issued by H M Treasury which is in force for 2002-03.

3. The accounts shall be prepared so as to:

   (a) give a true and fair view of the income and expenditure (or as appropriate, net resource outturn), total recognised gains and losses (or, as appropriate, recognised gains and losses), and cash flows of the United Kingdom Debt Management Office for the financial year, and of the state of affairs as at 31 March 2003; and

   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the *Resource Accounting Manual* will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the *Resource Accounting Manual* is inconsistent with the requirement to give a true and fair view the requirements of the *Resource Accounting Manual* should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the *Resource Accounting Manual*. Any material departure from the *Resource Accounting Manual* should be discussed in the first instance with the Treasury.

David Loweth
Head of the Central Accountancy Team, Her Majesty's Treasury

19 February 2003

Printed in the UK by the Stationery Office limited
on behalf of the Controller of Her Majesty s Stationery Office
150311 08/03

Published by TSO (The Stationery Office) and available from:

Online
www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Fax orders 0870 600 5533
Order through the Parliamentary Hotline Lo-call 0845 7 023474
E-mail book.orders@tso.co.uk
Textphone 0870 240 3701

TSO Shops
123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
0121 236 9696 Fax 0121 236 9699
9-21 Princess Street, Manchester M60 8AS
0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
18-19 High Street, Cardiff CF10 1PT
029 2039 5548 Fax 029 2038 4347
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/General enquiries 020 7219 3890
Fax orders 020 7219 3866

TSO Accredited Agents
(see Yellow Pages)

and through good booksellers

ISBN 0-10-292308-6

9 780102 923087