



United Kingdom
Debt Management
Office

BUSINESS PLAN 2015-16



Introduction

1 The DMO's main aim continues to be to carry out the Government's debt management policy of minimising its financing cost over the long-term taking account of risk, and to minimise the cost of offsetting the Government's net cash flows over time, while operating within a risk appetite approved by Ministers¹. The DMO's objectives are consistent with and support HM Treasury's objectives.

Key themes for the 2015-16 business plan

2 The key business planning themes for 2015-16 remain consistent with previous years. The plan is primarily focused on the continued delivery of the DMO's debt management, cash management, fund management, local authority lending and other functions to the highest standards of quality and cost-effectiveness. We fully recognise that the effective delivery of these functions and services is our overriding objective and intend to allocate our resources, skills, systems and development activities accordingly.

3 The DMO's business plan therefore includes the following key themes for 2015-16:

- Delivery of the 2015-16 debt management remit - which comprises a net financing requirement of £137.9 billion to be raised through gilt sales of £130.9 billion and planned net sales of Treasury bills of £7.0 billion².
- The DMO will continue to support HM Treasury in the development of and innovations associated with debt management policy.
- Delivery of the cash management remit – which will require handling the cash consequences of, among other things, the gilt and Treasury bill programme in as an efficient and cost-effective way as possible.
- Continuing to consult and liaise with key stakeholders – and in particular the Gilt-Edged Market Makers - in the financial markets in which the DMO has a key interest; and to consider further developments, innovations and enhancements to facilitate the effective delivery of the debt and cash management remits.
- Continuing to maintain close contact with the Bank of England on operational matters relating to the Asset Purchase Facility.

¹ See the DMO's Framework Document at:

http://www.dmo.gov.uk/documentview.aspx?docname=publications/corpgovernance/fwork040405.pdf&page=corporate_governance/Documents

² See HM Treasury's Debt & Reserves Management Report at:

http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1516.pdf&page=Remit/full_details
<http://www.dmo.gov.uk/documentview.aspx?docName=/gilts/press/sa230415.pdf>

- Progressing the DMO's strategic intention to withdraw in due course from the provision of daily end of day Gilt-edged Market Maker Association (GEMMA) and Treasury bill reference prices.
- Monitoring the Bank of England's banking operating hours review with a view to assessing the implications for the DMO's core activities.
- Continuing to provide support to HM Treasury in managing the gilt registration contract with Computershare Investor Services PLC following its re-appointment in 2014.
- Continuing to manage the administration of the National Loan Guarantee Scheme which was launched in March 2012.
- Continuing to minimise operational risk by ensuring the DMO's business operations are fully supported by resilient and efficient systems and processes. In this respect, during 2015-16, the DMO intends to upgrade the resilience and failover capability for its key systems.
- Continuing to seek out operational process efficiencies with the intention of further reducing cost and risk.
- Continuing to monitor the resource and skills required to deliver the DMO's array of objectives within the budget settlement agreed with HM Treasury.

Review of 2014-15

4 The DMO has delivered all of its 2014-15 key objectives³. In particular:

- The gilt remit for 2014-15 was delivered with total gilt sales amounting to £126.4 billion (cash) raised through 41 auctions, 4 syndications and 1 mini-tender. The average publication time for gilt auctions was 4.2 minutes (4.4 minutes in 2013-14) and for Treasury bill tenders was 5.4 minutes (5.9 minutes in 2013-14). The cash management remit for 2014-15 was also delivered in full.
- Lending to local authorities via the Public Works Loan Board ("PWLB") amounted to £2.6 billion gross of new loans in 2014-15 with the total loan book as at end-March 2015 standing at £63.9 billion of principal outstanding.
- The DMO continued to manage the assets of certain public funds via the Commissioners for the Reduction of the National Debt ("CRND") function. Assets under management as at end-March 2015 stood at approximately £22.8 billion.

³ Further information on the DMO's delivery of its 2014-15 objectives will be published in its Annual Report and Accounts later in the year.

- The DMO continued to manage the gilt registration contract with Computershare Investor Services PLC on behalf of HM Treasury.
- In 2014-15, the DMO assisted HM Treasury in the development and issue of £200 million of UK government Sukuk, (Islamic bonds).
- The DMO continued to manage the administration of the National Loan Guarantee Scheme which was launched in March 2012.

Corporate governance

5 The DMO is an executive agency of HM Treasury, and therefore legally indistinguishable from the latter. The nature of its status, together with other details relating to its responsibilities and remit as an executive agency, are contained in its Framework Document⁴.

Chief Executive

6 The DMO's Chief Executive is Accounting Officer for the agency and for the Debt Management Account ("DMA"). He reports to the Chancellor of the Exchequer and is accountable to Parliament in discharging his responsibilities.

Managing Board

7 The DMO has a senior management team that comprises the Chief Executive, Robert Stheeman; Jo Whelan, Deputy Chief Executive and Co-Head of Policy & Markets; Jim Juffs, Chief Operating Officer and Head of Operations and Resources; and, until March 2015, Joanne Perez⁵, Co-Head of Policy & Markets. Together with a representative from HM Treasury, James Richardson, Director, Fiscal Policy and Deputy Chief Economic Adviser and non-executives Brian Duffin and Brian Larkman, they comprise the DMO's Managing Board. A sub-committee of the Managing Board usually meets weekly.

DMO Audit Committee

8 The DMO Audit Committee comprises three independent members: Brian Larkman, who is the Committee's chair, Brian Duffin and Caroline Mawhood. Mike Davidge – the Head of the Internal Audit function – is secretary to the Committee. Those who are eligible to attend DMO audit committee meetings, as necessary, include Robert Stheeman, Jo Whelan, Jim Juffs, representatives from the DMO's teams, a representative from the internal audit team for HM Treasury and the National Audit Office.

⁴ The Framework Document can be found at:
<http://www.dmo.gov.uk/documentview.aspx?docname=publications/corpgovernance/fwork040405.pdf&page>

⁵ Joanne Perez left the DMO on 12 March 2015.

Staffing complement

9 In 2014-15, the DMO had an average complement of around 120 full time equivalent members of staff (including short-term contract staff).

Values

10 The DMO seeks to conduct itself and deliver its objectives using the highest possible standards. Its values are as follows:

- To promote and achieve professional excellence
- To be communicative, consultative and collaborative
- To be innovative, flexible and responsive
- To add value
- To be delivery focussed
- To be scrupulously fair
- To be an excellent place to work.

Vision, objectives and responsibilities

11 The DMO's vision statement, agency objectives and responsibilities are as set out below.

Vision

12 The DMO aims to be a centre of excellence for HM Treasury in the provision of policy advice on and the delivery of the Government's financing needs and to act as a key gateway for Government to the wholesale financial markets. It performs these functions primarily to support HM Treasury's objective of ensuring sustainable public finances.

Agency objectives

1. To develop, provide advice on and implement the Government's debt management strategy.
2. To develop, provide advice on and implement the Government's cash management requirements.
3. To provide advice and operational services to HM Treasury on issues relating to the management of the Government's balance sheet.
4. To provide advice and operational services to government departments on wholesale markets-related issues and activities.
5. To develop and deliver its fund management responsibilities and, in particular, to provide a cost-effective service for stakeholders.
6. To provide a cost-effective lending service to local authorities through the Public Works Loan Board.
7. To resource, staff and manage the DMO efficiently and cost-effectively to ensure key responsibilities are achieved.
8. To manage, operate and develop an appropriate risk and control framework.

Planning Uncertainties

- 13 In view of the size and scale of the debt and cash management remits and market conditions, the DMO will need to retain the flexibility and capability to adapt quickly to changing market and other conditions and, where necessary, re-order priorities in the plan.

Operational targets 2015-16

1. To ensure full compliance with HM Government's remit for the DMO (which is set out in the Debt and Reserves Management Report 2015-16).
2. To aim to publish the results of gilt auctions, gilt mini-tenders and Treasury bill tenders within 15 minutes of the close of offer - with the aim of publishing within 10 minutes - whilst achieving complete accuracy.
3. To achieve accuracy, within agreed accounting tolerances, in the recording and reporting of transactions through the DMA, and meeting the required deadlines for the publication and submission for audit of the annual reports of the DMO, DMA, the PWLB and CRND.
4. To ensure that the DMO responds to enquiries under the Freedom of Information Act within the statutory timeframe.
5. To avoid breaches of the DMO's operational market notices.
6. To ensure that, for cash management purposes, target weekly balances and expected daily variations are notified according to the agreed schedule.
7. To ensure that settlement 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 successfully settles at least 99% (by value) of agreed trades on the due date.
8. To ensure factual accuracy in all published data and to ensure that all market sensitive announcements are made in a timely manner.
9. To process all loan and early settlement applications from local authorities within two working days (between the date of the agreement and the completion of the transaction).
10. To ensure that the gilts purchase and sales service is operated according to its published terms and conditions.

11.To administer the National Loan Guarantee Scheme on behalf of HM Treasury in accordance with the Scheme's published rules.