UNITED KINGDOM DEBT MANAGEMENT OFFICE

BUSINESS PLAN 2003-2004

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1 Introduction

1 The UK Debt Management Office (DMO) was established on 1 April 1998. Its main aim is "to carry out the Government's debt management policy of minimising the financing cost over the long term taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost-effective way…".

2 This is the DMO's sixth annual business plan. This year the DMO has consulted its key stakeholders (including staff, HM Treasury, other government departments, the Bank of England and market counterparties) more widely than before as part of the planning process. This has resulted in a restatement of the "business vision" for the organisation, an analysis of where the DMO currently stands in relation to this revised vision and a plan which is intended to move the DMO forward over a 3-year horizon.

3 In particular, the vision and mission statements have been:

- condensed to encapsulate more succinctly the DMO's key aims and objectives;
- modified, to reflect the merger with the former National Investments and Loans Office (NILO). In 2002, the DMO took over operational responsibility for the parts of NILO that handle lending to local authorities (the Public Works Loan Board: PWLB) and manage funds for other government departments (Commissioners for the Reduction of the National Debt: CRND);
- modified, with a shift of emphasis to reflect the DMO's aim going forward to play a more proactive role in supporting HM Treasury in developing its policies in relevant areas.

2 Review of 2002-3

The DMO performed strongly in 2002-03. Most of its objectives, and published targets were met in full – see Annex B and Annex C for detail.

Its range of services has been further consolidated and extended by:

- supporting additional issues of the National Savings and Investments' (NS&I) Guaranteed Equity Bond (GEB) by reducing the Government's exposure to the equity market;

- an expansion of the Deposit Facility which allows a significantly higher number of local authorities to deposit surplus funds with the Debt Management Account (DMA);

- the merger with PWLB and CRND. This means that the DMO is now operationally responsible for handling loans to local authorities, through the PWLB, and for managing the funds for some government departments and bodies, through the CRND.

3 Vision, Mission and Values

VISION

As the Government's treasury manager, the DMO aims, with HM Treasury, to lead, develop and deliver the Government's debt, cash and fund management objectives.

MISSION

The DMO aims to:

1. Deliver the Government's debt, cash and fund management requirements and local authority lending services efficiently and effectively.

2. Develop and lead with HM Treasury the strategy on debt, cash and fund management.

3. Develop and drive with HM Treasury the strategy on the management of the central government financial balance sheet.

4. Advise on and deliver innovative and practical solutions to broader government financial issues.

VALUES

- Professional excellence.
- Communication, consultation and collaboration.
- Innovative, flexible and responsive.
- Adding value.
- Fair.
- Be an excellent place to work.

4 Strategic Objectives

This section outlines the DMO's strategic objectives that support the mission.

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 {Mission 1}.

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 {Mission 1}.

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. {Mission 1,2 & 4}.

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. {Mission 1 & 2}.

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. {Mission 3 & 4}.

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. {Mission 1,2,3 & 4}.

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 {Missions 1, 2, 3 & 4}.

5 Planning Themes: 3-year Horizon

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 the receipts 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".

6 Plan Detail 2003-4

The key outputs in 2003-04 included in the plan are as follows:

a) Continuing to run the core business functions successfully

This is what the DMO does on a day-to-day basis and is largely in support of mission statement 1. There are some aspects (e.g. analytical tools) which will help support mission statement 2. Included here are:

- meeting the 2003-04 remits including the increased gilt issuance programme;
- meeting the cash management objectives. In particular for this year it will also mean being in a position to issue sterling Treasury bills in dematerialised form as soon as that capability is available in CREST (i.e. expected to be September 2003) and being able to supply the necessary price information for valuation purposes to CREST;
- meeting the PWLB lending objectives for local authorities while developing new arrangements in conjunction with HM Treasury and the Office of the Deputy Prime Minister in time for the start of the proposed new arrangements for local government finance which are expected to be introduced in April 2004;
- managing the CRND funds;
- further developing and implementing analytical tools to support debt and cash management research and decision making;
- ensuring that the necessary publications and information are readily available to our stakeholders;
- meeting the Guaranteed Equity Bond programme in conjunction with NS&I;
- ensuring that appropriate support functions are available to sustain these core functions (including risk management and business continuity capability). In particular this will mean completing the

project for implementing a market and credit risk management system by December 2003.

b) **Improving efficiency and value for money**

There are a number of areas where the DMO can improve efficiency, provide better value for money and reduce operational risk. This is about improving what the DMO currently does and hence directly supports mission statement 1. The areas identified here are:

- since the merger with CRND, the fund management function uses two separate processes (and systems) to handle similar functions. The DMO will be looking to fully integrate this function during the year to achieve process efficiencies ultimately to enhance CRND's added value to clients;
- the DMO plans to consult on, and assess the feasibility of, introducing electronic bidding at auctions and possibly at sterling Treasury bill tenders. The expectation is that this will result in a proposal and implementation plan to be initiated in 2003-04 with the intention of delivery in the following financial year;
- identify and work towards implementing an improved cash flow forecasting solution. As well as an internal systems review this will include working with the Treasury's Exchequer Funds and Accounts team (EFA) to improve the present cash flow forecasting arrangements. This is with specific regard to continuing to raise awareness within other government departments of the importance to the DMO of the quality of cash flow data that they give to EFA;
- identify and work towards implementing an improved set of tools which can provide more immediate and comprehensive input to the trading decision making process;
- complete the introduction of an electronic records management system.

c) **Defining good performance and the ability to measure it**

This group of tasks is about agreeing what constitutes good performance for the DMO with specific regard to cost effectiveness and value for money and then measuring it to show that the DMO has carried out its core business function efficiently and effectively. This work is in support of mission statement 1. The tasks identified are:

- define what the DMO means by 'cost-effectiveness' and 'value for money' for each core business function and establish a methodology for measuring them;
- revise the DMO's publishable operational performance measures/targets to more accurately reflect the balance of business and then set out to achieve these targets.

d) **Developing the future direction of the DMO**

This is about positioning the DMO for the future and hence is largely in support of mission statements 2, 3 and 4. The priorities are:

- prepare for and be ready to contribute to the periodic HM Treasury-led process review of the DMO due to be initiated this year. This is anticipated to go hand in hand with much of the performance measurement work outlined above;
- develop a strategy for handling the DMO's external relationships. This is expected to include initiation of regular discussions with key stakeholders and include other government departments who are likely to be able to benefit from DMO services (e.g NS&I). The strategy will also aim to create a wider understanding especially within central government of the DMO's operational capability;
- fully understand the implications of the euro for the DMO should the UK join (see also the section on planning uncertainties). If necessary, consider giving priority to those initiatives which will be of benefit to the core business and which would also be important for the DMO in the event of the UK joining the euro.

7 Resources

The DMO's spending review 2002 budget settlement is sufficient to deliver this year's business plan (taking into account End Year Flexibility agreed with HM Treasury).

In terms of staff, there are now 80 or so people at the DMO (an increase of around 25 following the CRND and PWLB merger) and the main focus for the majority of these is on the delivery of the DMO's daily operations. (The current organisation chart is attached in Annex A.)

The plan detail for 2003-04 as outlined includes a challenging project programme. In the main, increases in staff numbers planned in the year focus on recruitment in specific skill areas required to help deliver the project programme (e.g. business development and analysis, project management etc).

The strategic higher value projects for the DMO this year include:

Money market instrument de- materialisation	To be in a position to issue sterling Treasury bills in dematerialised form as soon as that capability is available in CREST (i.e. expected to be September 2003) and being able to supply the necessary price information to them.
Market risk	To complete the implementation of the new market & credit risk system.
Systems security	To move the complete Information Technology infrastructure into the new secure environment to retain Government Secure Intranet accreditation & provide added value.
Content management	To automate workflow & control of information (with specific regard to the content of all DMO websites) to reduce operational risk and free up key resources.
Cash flow forecasting	To identify and work towards implementation of a replacement cash flow forecasting solution.

CRND processes	Migrate the CRND function to DMO's strategic choice of systems to achieve process and cost efficiencies.

In addition, the DMO will carry out the preparatory work in the following key areas with a view to potential project delivery during the following business year:

- Electronic bidding: consult on, and assess the feasibility of, introducing electronic bidding at auctions and possibly sterling Treasury bill tenders;

- Local Authority transactions management: identify whether the DMO's services to Local Authorities (including the PWLB function and the DMADF) can be delivered by making more use of technology;

- Front office systems: set out the requirements, identify gaps and propose solutions specifically for front office business function to support the trading decision making process.

8 Planning Uncertainties

Unsurprisingly there are risks to this plan and in any circumstances the DMO must retain the capability to re-order priorities to deliver more pressing requirements, as it has done previously.

The macro environment will always have some influence on the plan and the potential to affect the DMO's future workload across the range of activities. Wider policies and market developments will also have implications e.g. the pressures on pension and insurance funds that are key investors in gilts. Other key planning risks and uncertainties include:

- the euro – a decision to join is likely to have the greatest impact on the plan and, aside from the preparation, could require fundamental changes to the way that the DMO carries out some of its functions;

- changes in stakeholder requirements (though the DMO would expect its strategy for stakeholder relationships to minimise the likelihood of this risk materialising in the future);

- market structure, innovations and new products. Including changes in market practice, in regulatory or tax regimes and in arrangements for registering gilts.

9 DMO's Published Targets 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.

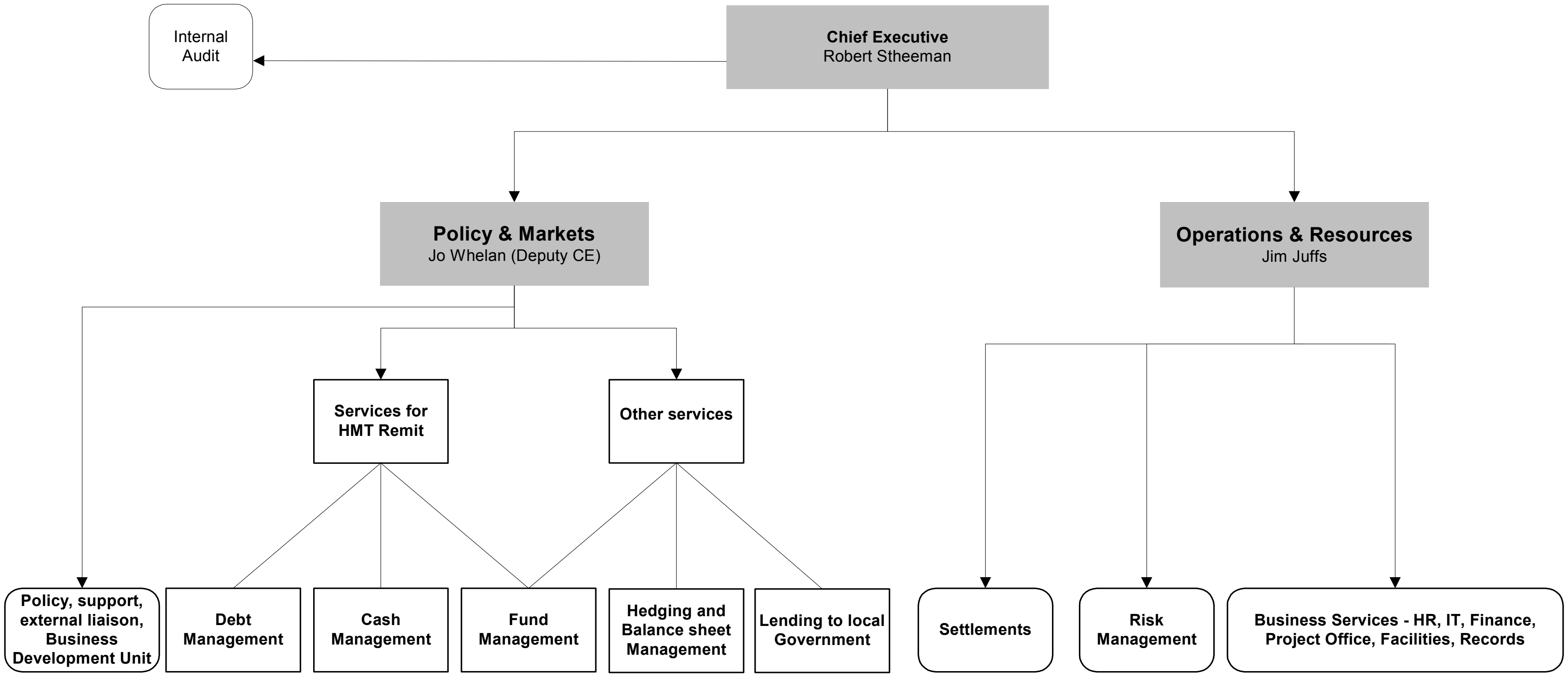
8. To release all market sensitive data and announcements in a timely manner and to aim to achieve no factual errors in material published by the DMO on its wire service pages, its websites or its printed documents (insofar as the material is under the control of the DMO and not third parties).

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.

10 Annex A – UK DMO Organisational Chart

DMO Functional Structure



11 Annex B –Performance against 2002-03 Strategic Objectives

This annex summarises the DMO's main achievements against its strategic objectives in 2002-03. More detailed information on the published targets can be found in Annex C.

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 13 outright gilt auctions (eight conventional and five index-linked) and one tender of index-linked stock[1]. 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 +£8.9 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 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 £21.4 billion in early January 2003 to help manage seasonal cash outflows.

[1] 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.

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. In lines with published plans the size of the cash position was progressively run down; it started the financial year at £11.0 billion and ended it at £4.5 billion.

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.
  - 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 in published in Annex C of this Plan.

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 is the longest-dated government index-linked stock in issue internationally).
- in May 2002 the DMO issued 6-month Treasury bills for the first time. Unlike 1- and 3-month bills which are offered at weekly tenders, 6-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 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 GEB issued by 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.

12 Annex C –Performance against 2002-03 Published Targets

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 2002: £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. During the financial year the overall cash position fell from £11.0 billion to £4.5 billion.

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: 2 ½ % 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 2003: 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 2003 ahead of the required deadline (of 24 July – the day the House of Commons rose for ther Summer Recess). The DMA accounts for 2001-02 were published on 19 December (the same day as the deadline).

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 shut-down 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.