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*United Kingdom*  
**Debt  
Management  
Office**

## BUSINESS PLAN 2012-13

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



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## **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 Ministers"<sup>1</sup>. The DMO's objectives are consistent with and support HM Treasury's objectives.

## **Key themes for the 2012-13 business plan**

- 2 The key business planning themes for 2012-13 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 2012-13:
  - Delivery of the debt management remit - which comprises gilt sales of £164.4 billion to be delivered through a minimum of 53 gilt market operations.
  - To act on behalf of HM Treasury to effect the cancellation of gilts held by the Department for Business, Innovation and Skills following their transfer from the Royal Mail Pension Plan to the Government.
  - 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 an interest; and to consider further developments, innovations and enhancements to facilitate the effective delivery of the debt and cash management remits. In this respect, the DMO will be launching a market consultation on the case for the issuance of gilts with maturities longer (and potentially significantly longer) than those currently in issue (ie in excess of 50 years) and/or perpetual gilts.

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<sup>1</sup> See HM Treasury's Debt & Reserves Management Report 2012-13 paragraph 2.11, page 6.  
<http://www.dmo.gov.uk/documentview.aspx?docName=/remit/drmr1213.pdf>

- The DMO will continue to maintain close contact with the Bank of England on operational matters pertaining to the Asset Purchase Facility.
- Managing the administration of the National Loan Guarantee Scheme which was launched in March 2012.
- Continuing to manage the administration of the Credit Guarantee Scheme.
- Continuing to manage the gilt registration contract with Computershare Investor Services PLC on behalf of HM Treasury and preparing for the re-tendering of the contract.
- Continuing to minimise operational risk by ensuring the DMO's business operations are fully supported by resilient and efficient systems and processes.
- 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 Spending Review 2010 budget settlement agreed with HM Treasury.
- In line with our commitment to Investors in People status, for which the DMO was re-accredited for a further three years in 2011, we will continue to manage and develop our staff to achieve their professional potential and support the objectives of the office.

### **Review of 2011-12**

4 The DMO has delivered all of its 2011-12 key objectives<sup>2</sup>. In particular: :

- The gilt remit for 2011-12 was delivered with total gilt sales amounting to £179.4 billion (cash) raised through 49 auctions, 3 mini-tenders and 8 syndicated offerings. The average publication time for gilt auctions was 5.0 minutes (6.1 minutes in 2010-11) and for Treasury bill tenders was 5.9 minutes (5.7 minutes in 2010-11). The cash management remit for 2011-12 was also delivered in full.
- The DMO continued to conduct, on behalf of the Department for Energy and Climate Change, auctions of EU Emissions Trading System Allowances ("EUA"). During 2011-12, the DMO carried out 7 EUA auctions with a total of 24.5 million EUAs on offer.

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<sup>2</sup> Further information on the DMO's delivery of its 2011-12 objectives will be published in its Annual Report and Accounts later in the year.

- Lending to local authorities via the Public Works Loan Board (“PWLB”) amounted to approximately £16.1 billion gross and £8.8 billion net in 2011-12 with the total loan book as at end-March 2012 standing at £61.9 billion. In addition, the transactions associated with the move to Self-Financing Housing Revenue Accounts were completed which involved approximately £20 billion of loans and loan repayments being made and settled on 26 March 2012 and 28 March 2012 respectively.
- 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 2012 stood at approximately £45 billion.
- The DMO continued to manage the gilt registration contract with Computershare Investor Services PLC on behalf of HM Treasury.
- The DMO developed and will continue to develop the systems, processes and infrastructure to manage the administration of the National Loan Guarantee Scheme which was launched in March 2012.
- During 2011-12, following assessment, which occurs on a three year cycle, the DMO was re-accredited as an Investor in People.

### **Corporate governance**

5 The DMO is an executive agency of HMT, 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 Document<sup>3</sup>.

### **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 Joint Head of Policy & Markets; Jim Juffs, Chief Operating Officer and Head of Operations and Resources; and Joanne Perez, Joint Head of Policy & Markets. Together with a representative from HM Treasury, Sam Beckett, Director of Fiscal Policy, 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.

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<sup>3</sup> The Framework Document can be found on the DMO’s website at <http://www.dmo.gov.uk/documentview.aspx?docname=publications/corpgovernance/fwork040405.pdf&page=>

### **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, Joanne Perez, representatives from the DMO's teams, HMT's internal audit team and the National Audit Office.

### **Staffing complement**

9 In 2011-12, the DMO had an average complement of 117 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**

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**

12 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 2012-13**

1. To ensure full compliance with HM Government's remit for the DMO (which is set out in the Debt and Reserves Management Report 2012-13).
2. To ensure that the maximum time taken to issue the results of gilt operations, Treasury bill tenders and ETS auctions does not exceed 15 minutes – with the aim of publishing the results within 10 minutes of the close of offer - 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 the publication of all market sensitive data and to make announcements 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 Credit Guarantee Scheme on behalf of HM Treasury in accordance with the Scheme's published rules.

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