United Kingdom
Debt Management
Office

2022-2023

Annual Report and Accounts

of the United Kingdom Debt Management Office

and the Debt Management Account

HC 1691

United Kingdom Debt Management Office
Annual Report and Accounts 2022 – 2023

Presented to the House of Commons pursuant to
Section 7 of the Government Resources and Accounts Act 2000
Presented to the House of Lords by Command of His Majesty

and

Debt Management Account
Annual Report and Accounts 2022 – 2023

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Contents

What this document covers

This document presents the Annual Report and Accounts of the United Kingdom Debt Management Office (DMO) and the Annual Report and Accounts of the Debt Management Account (DMA) for the year ended 31 March 2023.

The **DMO** is an executive agency of HM Treasury. Its main aims are:

- to carry out the government's debt management policy of minimising its financing cost over the long-term, taking account of risk;
- to carry out the government's cash management policy of minimising the cost of offsetting the government's net cash flows over time, while operating within a risk appetite approved by ministers;
- to provide loans to local authorities for capital purposes;
- to manage the funds of selected public sector bodies.

The **DMA** is one of the government's Exchequer accounts (others include the National Loans Fund and the Consolidated Fund managed by HM Treasury and the Exchange Equalisation Account managed by the Bank of England for HM Treasury). The DMA records the assets, liabilities and other transactions that arise from the DMO's debt management (except for gilts issued by the DMO, which are liabilities of the National Loans Fund), cash management and other activities that support government initiatives.

The following sections of this document apply to both the DMO and the DMA:

- Performance report (page 8 to 39)
- Accountability report - corporate governance report (page 40 to 57)
- Accountability report - parliamentary accountability and audit report (page 68 to 69)

The following sections are specific to the DMO:

- Accountability report - remuneration report and staff report (page 58 to 66)
- Accounts of the United Kingdom Debt Management Office (page 70 to 94)

The following section is specific to the DMA:

- Accounts of the Debt Management Account (page 96 to 136)

Performance report

The purpose of the overview is to provide sufficient information to understand the United Kingdom Debt Management Office and the Debt Management Account, their purposes, key risks to the achievement of their objectives and how they have performed during the year.

Overview

Chief Executive's statement

2022-2023 was the 25th operational year for the DMO, and again we successfully delivered our gilt financing remit with sales of £169.5 billion - a total which took cumulative gilt proceeds over our first quarter of a century to almost £3 trillion via 1,150 market operations.

It was another year of considerable challenge for the DMO, during which our financing requirement fluctuated significantly. 2022-2023 also saw the gilt market negotiate a period of unprecedented stress and volatility following the September 2022 fiscal event, which led to intervention by the Bank of England to help stabilise the market.

In addition to the programme of gilt sales, the DMO's cash management activities resulted in trading turnover of £6.9 trillion during 2022-2023 (out of a total of £7.3 trillion from all activities).

Gilt and cash management operations, local authority lending via the PWLB lending facility, and investment of public sector funds via the Commissioners for the Reduction of the National Debt (CRND) were again successfully delivered.

The original gilt financing remit for 2022-2023 was announced on 23 March 2022 with planned gilt sales of £124.7 billion (including planned green gilt sales of medium and long conventional gilts totalling £10.0 billion). These sales were to be delivered by 43 gilt auctions and five syndications.

Following publication of the outturn of the 2021-2022 financing requirement, planned gilt sales for 2022-2023 were increased by £6.8 billion to £131.5 billion on 26 April 2022, with the number of planned gilt auctions rising by four to 47.

However, a much larger increase in planned gilt sales was announced on 23 September 2022 at the fiscal event accompanying the publication of the Government's growth plan. Planned gilt sales rose by £62.4 billion, taking the planned total in 2022-2023 to £193.9 billion, with 13 additional auctions (taking the total to 60) and one additional long conventional syndication being scheduled.

A significant reversal of the previous sharp increase was announced on 17 November 2022 alongside the publication of the Office of Budget Responsibility's Economic and Fiscal Outlook. Planned gilt sales fell by £24.4 billion to £169.5 billion, with five auctions being cancelled, reducing the total to 59.

The outturn for gilt sales in 2022-2023 was £169.5 billion, just £3 million below the remit plan. The outturn included green gilt sales of £9.8 billion.

Auctions remained the DMO's primary means of selling gilts, amounting to £144.1 billion (including £15.3 billion of proceeds from the Post Auction Option Facility), and represented 85% of overall sales. The average cover ratio at gilt auctions in 2022-2023 was 2.39, in line with 2.41 in 2021-2022.

Auctions were supplemented by six syndicated offerings (four of conventional gilts, of which one was a green gilt issue, and two of index-linked gilts) which raised £24.0 billion (14% of total gilt sales). One gilt tender was held during 2022-2023, raising £1.4 billion (1% of total gilt sales).

Treasury bills also played an important role in debt financing. In the original remit for 2022-2023 net sales of Treasury bills for debt management purposes of £23.2 billion were planned; this amount rose by £7.0 billion in the April 2022 remit revision, taking the planned net increase in the financial year to £30.2 billion. Planned net sales of Treasury bills for debt management purposes rose by a further £7.0 billion at the September 2022 fiscal event, but this increase was reversed at the November 2022 remit revision.

There was sustained strong demand for Treasury bills in the year. As with gilts, Treasury bills continued to attract significant overseas investor interest, with around 34% of the outstanding amount of Treasury bills at 31 December 2022 being held by this group.

In 2022-2023, the DMO also continued to perform strongly in carrying out its cash management function, meeting the financial obligations of the UK government on every business day. This was achieved despite the ongoing challenging market backdrop.

The PWLB lending facility has continued to fulfil its statutory function. At 31 March 2023, the loan assets outstanding to the PWLB were £96.2 billion. 494 new loans totalling £7.9 billion were advanced during the financial year.

The DMO again successfully provided a cost-effective service to its clients through the fund management operations of the CRND. The market value of these funds was £82.9 billion at 31 March 2023.

The DMO's financing remit for 2023-2024 was published on 15 March 2023 when planned gilt sales of £241.1 billion were announced (including planned green gilt sales of £10.0 billion). The DMO's financing remit for 2023-2024 was then revised on 25 April 2023, following publication of the outturn of the 2022-2023 financing requirement. Planned gilt sales were reduced by £3.3 billion to £237.8 billion.

Once again, I would like to express my sincere thanks to DMO employees for their great contribution to the DMO's achievements in 2022-2023. I am also very grateful to all our market counterparties for their expertise and continued support throughout the year. These contributions made possible the success of the DMO in meeting the challenges of 2022-2023.

Sir Robert Stheeman
Chief Executive
3 July 2023

Purpose and principal activities of the United Kingdom Debt Management Office

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, acting as a key gateway for government to the wholesale financial markets. It performs these functions primarily to support HM Treasury's objectives.

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 responsibilities of the Chancellor and other HM Treasury ministers, the Permanent Secretary to HM Treasury and the DMO's Chief Executive are set out in a published Framework Document, available on the DMO website at www.dmo.gov.uk, which also sets out the DMO's objectives and 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.

The DMO is given annual remits by HM Treasury for its debt management and cash management. The remits are published in the Debt Management Report just prior to the start of the financial year. The DMO conducts its operations for the forthcoming financial year within the scope of these remits and in order to meet its specified objectives and targets. These operations are performed by teams that reflect the DMO's functional activities.

The DMO conducts all its activities within a formal risk management framework, which covers all its principal risks. An assessment of these is provided in the governance statement on page 44 to 57.

Debt management

The government's debt management objective is 'to minimise, over the long-term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy'.[1] The DMO advises HM Treasury on the development of an appropriate debt issuance strategy.

The government seeks to minimise the costs of servicing its debt over the long-term and tries to ensure that the chosen policy is robust in a wide range of economic conditions.

The composition of debt issued is the primary means by which the government adjusts the nature and maturity of its debt portfolio. In order to determine this composition, the government takes into account, among other things, investor demand for gilts, its own appetite for risk, the shape of the yield curves and the prevailing market environment.

The DMO's main debt management activity is the issuance of gilts on behalf of the National Loans Fund. The DMO additionally issues Treasury bills for both debt and cash management purposes.

The financing remit set by HM Treasury ministers specifies the planned annual total of gilt sales in cash terms, the split between conventional and index-linked gilt sales and, within conventional gilts, the split by maturity band. The planned split of issuance by distribution method is also set out. The financing remit for 2022-2023 was initially set in March 2022 and then revised in April, September and November 2022.

The DMO decides the size of gilt auctions and the choice of gilts to be auctioned, together with the size and choice of gilts to be issued via syndications and any gilt tenders in accordance with the terms set out in the remit for the financial year. The DMO also decides the size and maturity breakdown of Treasury bill issuance.

The DMO publishes Operational Notices describing how it acts in the gilt and sterling money markets – copies of these documents are available on the DMO

[1] Debt Management Report 2022-23

website at www.dmo.gov.uk.

In addition to gilt issuance, the DMO encourages the development of an efficient and liquid secondary market for gilts, by means that include the stewardship of the Gilt-edged Market Makers (GEMMs) system.

Under an agreement with the DMO, GEMMs provide a secondary market in all gilts, and are the point of access for institutional investors who wish to take part in the DMO's gilt auctions.

For various operational reasons, the DMO may redeem gilt holdings bought from the market by selling them back to the National Loans Fund at market rates prior to maturity.

Cash management

The DMO's cash management objective is 'to minimise the cost of offsetting the government's net cash flows over time, while operating within the government's risk appetite'.[1]

Offsetting these net cash flows for the government is achieved through a combination of bilateral dealing with market counterparties and Treasury bill issuance.

The range of instruments and operations that the DMO may use for cash management purposes, including the arrangements for the issuance of Treasury bills, are set out in the DMO's Cash Management Operational Notice and UK T-bills Information Memorandum (which is available on the DMO website at www.dmo.gov.uk).

PWLB lending facility

The PWLB lending facility is operated by the DMO on behalf of HM Treasury. It provides loans to local authorities and other specified bodies, using funding from the National Loans Fund, and collects repayments. The PWLB lending facility operates within a policy framework set by HM Treasury. The loans are primarily for capital projects.

The DMO produces a separate annual report and accounts for the PWLB lending facility.

Commissioners for the Reduction of the National Debt (CRND)

The principal function of the CRND is managing the investment portfolios of certain public funds.

The DMO produces separate annual report and accounts for each of these funds.

Gilt purchase and sale service

The DMO offers a gilt purchase and sale service to those registered on the approved group of investors database, maintained by Computershare Investor Services PLC on behalf of the DMO. This service enables members of the public to buy and sell gilts in the secondary market.

Discount Window Facility

On 20 October 2008, the Bank of England launched the Discount Window Facility. The purpose of the Discount Window Facility is to provide liquidity insurance to the banking system. The DMO facilitates this operation by purchasing gilts issued by the National Loans Fund and lending them to the Bank of England when required.

[1] Debt Management Report 2022-23

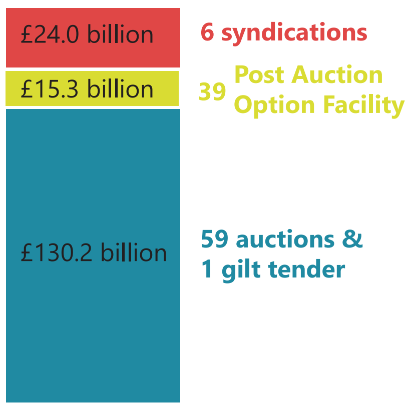

LONDON BRIDGE HOSPITAL

Key figures 2022-2023

DEBT MANAGEMENT

Gilt sales 2022-2023

Total: £169.5 billion



CASH MANAGEMENT

Turnover

PWLB LENDING FACILITY

£ 7.9 billion

Loans issued in 2022-2023

£ 96.2 billion

Total outstanding loans as at 31 March 2023

CRND

Funds under management

Market value as at 31 March 2023

Market operations

Green gilt sales of £9.8 billion

The DMO had no uncovered operations following 59 gilt auctions, 1 gilt tender and 156 Treasury bill tenders

DMO expenditure

£13.6m
Staff costs

£5.2m
Purchase of goods and services

£6.1m
Issuance and transaction costs

£1.6m
Other accounting charges

Operating expenditure: £26.5 million

Net expenditure: £21.7 million

Operating income: £4.8 million

£2.9m
Fees and charges

£1.7m
Recharges to the National Loans Fund

£0.2m
Gilt purchase and sales service commission

Relationship of the Debt Management Account to the National Loans Fund

The National Loans Fund is the government's principal borrowing and lending account and is administered by HM Treasury. The DMA's principal role is to meet the financing needs of the National Loans Fund. These include long-term requirements (debt management), short-term requirements, and day-to-day cash needs (cash management).

In its debt management role, the DMA issues gilts on behalf of the National Loans Fund. This requires the DMA to purchase newly created gilts from the National Loans Fund, which it then sells to the market. In this way, gilts issued are liabilities of the National Loans Fund and the responsibility for paying gilt coupons and redeeming the debt on maturity lies with the National Loans Fund[1]. The DMA regularly undertakes secondary market gilt transactions in small volumes.

The DMA also issues sterling Treasury bills, which it does as part of both its debt and cash management operations. .

The DMA transacts with the financial markets, on behalf of the National Loans Fund, for the purpose of managing the government's cash requirements. In this role, the DMA undertakes day-to-day borrowing and lending with the market, largely in the form of Treasury bill issuance, sale and repurchase agreements (repos), reverse sale and repurchase agreements (reverse repos), unsecured deposit taking and commercial paper purchases. The repos and reverse repos of the DMA are usually collateralised with gilts. For this purpose, the DMA holds a large gilt portfolio bought from the National Loans Fund.

Under the terms of the Finance Act 1998, the National Loans Fund made a cash advance of £6 billion to the DMA at inception in order to establish the account. Subsequent cash advances and repayments have been made from time to time as required so that at 31 March 2023, the advance was £12 million (31 March 2022: £15,016 million). The DMA pays interest at the Bank Rate on any advance from the National Loans Fund.

In order for the DMA to balance the daily financing needs of the National Loans Fund, the DMA actively manages its daily cashflows to ensure that the DMA is able to deposit sufficient funds with the National Loans Fund so that the National Loans Fund has a nil cash balance at the end of each day. The DMA receives interest at the Bank Rate on any daily deposit with the National Loans Fund.

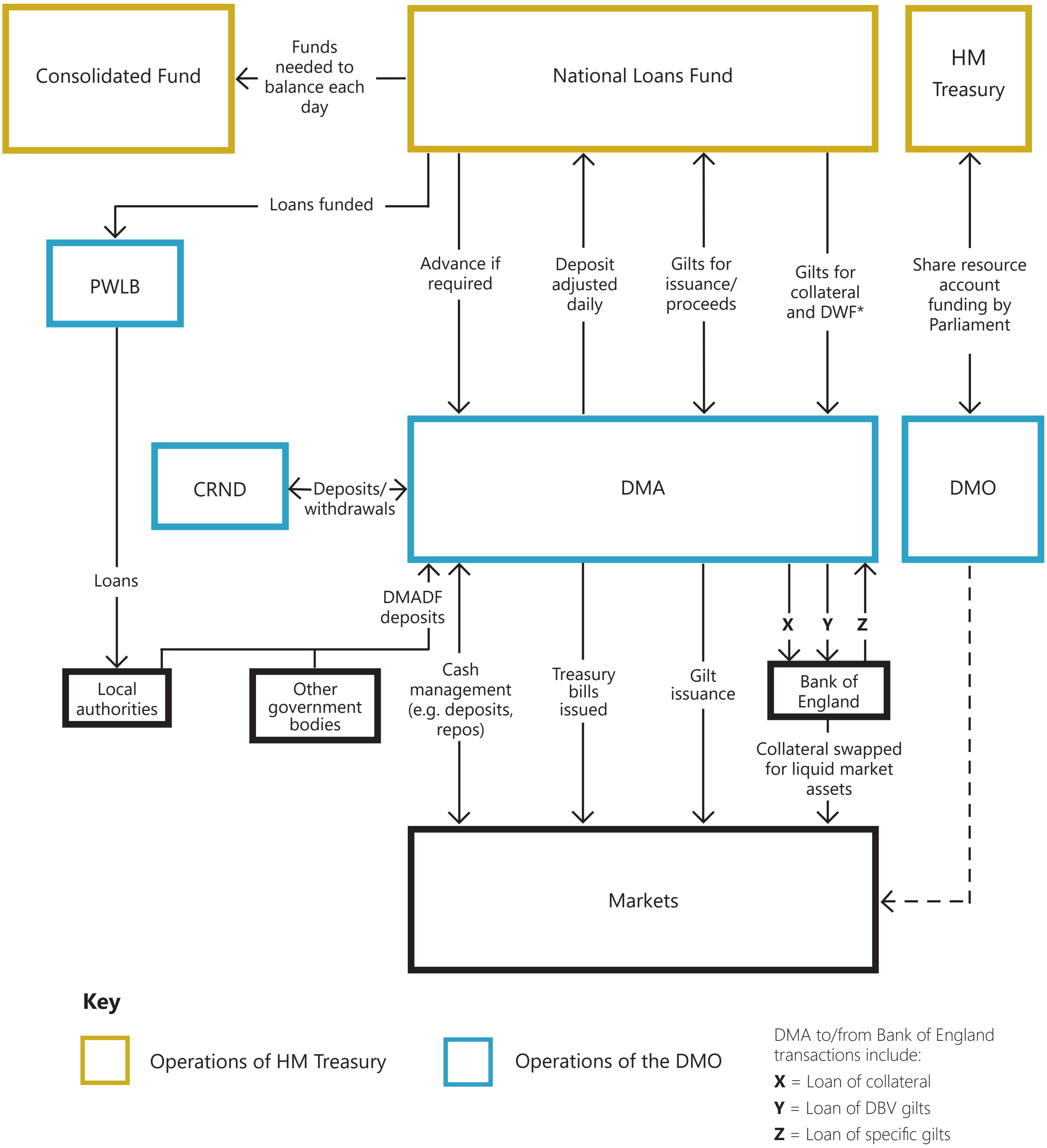
Changes in the DMA's advance from the National Loans Fund or deposit with the National Loans Fund are transactions internal to the government and do not constitute part of overall government borrowing.

Retained surpluses and deficits of the DMA are assets or liabilities of the National Loans Fund. In the case of a retained surplus, HM Treasury may make a payment from the DMA to the National Loans Fund (equal to all or part of the surplus) thereby reducing the liability of the DMA. In the case of a retained deficit, HM Treasury may make a payment to the DMA from the National Loans Fund (equal to all or part of the deficit). As at 31 March 2023, the DMA had a retained surplus of £63,009 million (31 March 2022: £59,739 million).

[1] Further information about the total stock of gilts in issue, including their maturity profile, can be found in the annual report and accounts of the National Loans Fund.

Key relationships of the DMO and the DMA

This diagram sets out the principal relationships of the DMO and the DMA with other organisations and funds. It is intended for illustrative purposes only.



* Discount Window Facility

Note:

1. The DMO also uses the Bank of England for custody and settlement functions.

2. The Consolidated Fund is equivalent to the government's current account. Government revenue from taxes and other sources is collected daily and paid into the Consolidated Fund. Government departments draw down cash from the Consolidated Fund, subject to the limit of their annual Net Cash Requirement, to make all their payments. Any cash shortfall in the Consolidated Fund is met by a draw down from the National Loans Fund (and vice versa for any cash surplus).

Performance summary

Debt management

Debt issuance

In 2022-2023, the DMO again successfully delivered its financing remit, which fluctuated considerably in size during the financial year. This occurred in a market environment that was very stressed in the Autumn of 2022 in particular during the period between the remit revisions in September and November 2022.

The DMO's original remit for 2022-2023, as announced in the Spring Statement on 23 March 2023, included planned gilt sales of £124.7 billion (including planned green gilt sales of medium and long conventional gilts totalling £10.0 billion), to be delivered by 43 gilt auctions and five syndications. In addition, a smaller (£7.0 billion) unallocated portion of issuance was announced reflecting the fact that, unlike 2021-2022, green gilt sales were specified as part of the conventional gilt programme. Net sales of Treasury bills for debt management purposes of £23.2 billion were also planned.

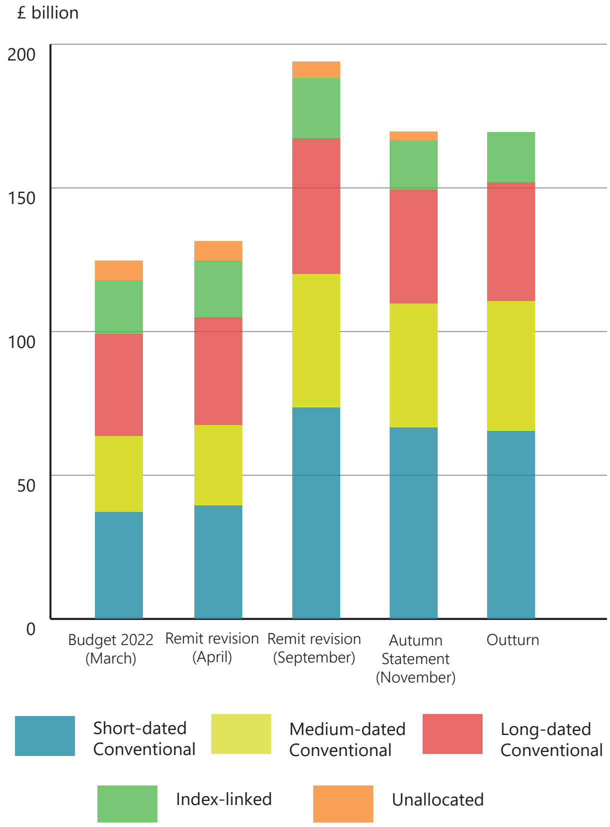
The initial gilt sales plans were increased as a result of the outturn of the Central Government Net Cash Requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail) (CGNCR ex) on 26 April 2022. Planned gilt sales rose by £6.8 billion to £131.5 billion, with the number of planned gilt auctions rising by four (one of each type and maturity) to 47. Additional net sales of Treasury bills for debt management purposes of £7.0 billion were also announced, taking the planned net increase in the financial year to £30.2 billion.

A much larger increase in the DMO's financing requirement of £72.4 billion was announced on 23 September 2022 at the fiscal event accompanying the publication of the Government's growth plan. The increase was to be financed by additional gilt sales of £62.4 billion, taking the planned total in 2022-2023 to £193.9 billion, with 13 additional auctions (taking the total to 64) and one additional long conventional syndication being scheduled. The residual balance of the unallocated portion of gilt issuance was also increased by £5.0 billion and additional net sales of Treasury bills for debt management purposes of £7.0 billion were also announced, taking the planned increase in 2022-2023 to £40.2 billion.

A significant reversal of the previous sharp increase in debt financing was announced on 17 November 2022 alongside the publication of the Office of Budget Responsibility's Economic and Fiscal Outlook. Planned gilt sales fell by £24.4 billion to £169.5 billion, with five auctions being cancelled, taking the total down to 59. In addition, planned net sales of Treasury bills for debt management purposes were reduced by £7.0 billion, taking the planned stock increase to £33.2 billion in 2022-2023.

The outturn for gilt sales in 2022-2023 was £169.5 billion (just £3 million below the remit plan). This included green gilt sales of £9.8 billion.

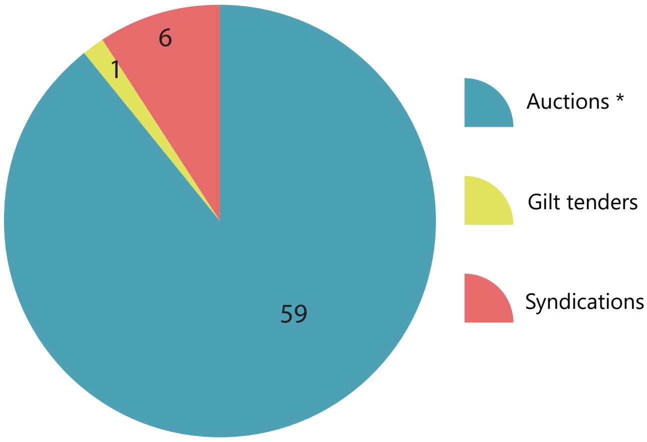
Figure 1: Gilt sales in 2022-2023



Auctions remained the DMO's primary means of selling gilts and accounted for £144.1 billion of gilt sales. This figure included £15.3 billion of proceeds from the Post Auction Option Facility, and represented 85.0% of overall sales. The average cover ratio at gilt auctions in 2022-2023 was 2.39, a marginal decline from 2.41 in 2021-2022.

The auction programme was supplemented by six syndicated offerings (four of conventional gilts, of which one was a green gilt issue, and two of index-linked gilts) which raised £24.0 billion (14.1% of total gilt sales). One gilt tender was held during 2022-2023, raising £1.4 billion (0.8% of total gilt sales).

Figure 2: Gilt issuance operations by type



* The Post Auction Option Facility is available following each auction, as described above.

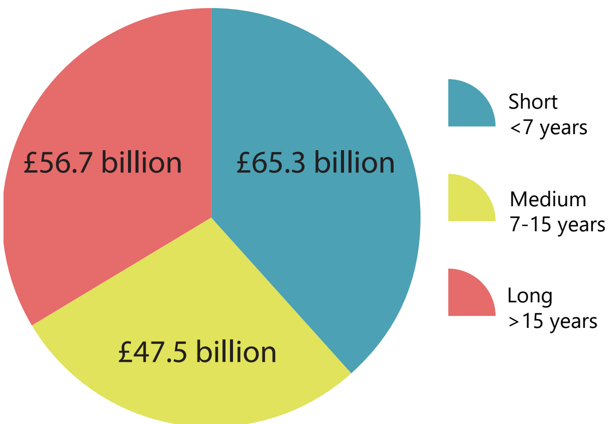
There were some differences in the gilt issuance profile in 2022-2023 compared to the previous financial year, as can be seen in Table 1 below. The proportions of short-dated issuance rose and those of long-dated and index-linked gilt issuance fell.
The changes in proportions reflects the operational considerations relating to a large increase in gilt sales announced at the September 2022 remit revision, given the prevailing fragile and volatile market backdrop and the need to rely on shorter dated, less risky conventional gilts, which were able to be sold in larger size to help meet the increase in the financing requirement in the second half of 2022-2023.

Table 1: Gilt issuance profile

	2023	2022	Change
Short-dated conventional	38.5%	27.1%	11.4%
Medium-dated conventional	26.8%	28.4%	-1.6%
Long-dated conventional	24.2%	31.0%	-6.8%
Index-linked	10.5%	13.5%	-3.0%
Total issuance (£bn)	169.5	194.7	-25.2

In 2022-2023, short-dated conventional gilt issuance was £65.3 billion, medium-dated conventional gilt issuance (including green gilts) was £45.4 billion and long-dated conventional gilt issuance (including green gilts) was £41.1 billion. Index-linked gilt issuance was £17.7 billion.

Figure 3: Maturity profile of conventional and index-linked gilts issued

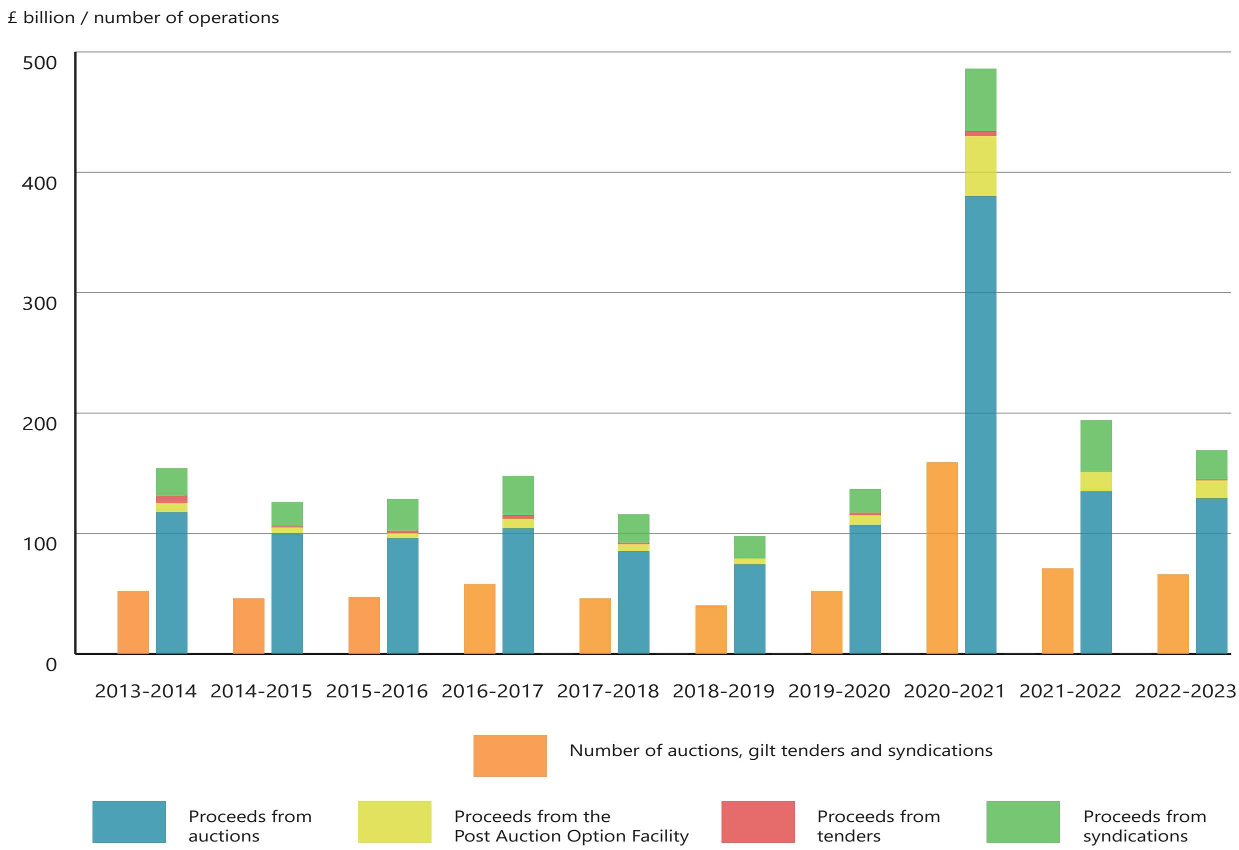


Average daily turnover in the gilt market in 2022-2023 was £34.6 billion, a reduction of £3.4 billion from 2021-2022. Maintaining market liquidity is a key factor in addressing the needs of a diversified investor base.

The DMO received its financing remit for 2023-2024 at the Spring Budget on 15 March 2023. Planned gilt sales of £241.1 billion were announced, an increase of £71.6 billion (42.2%) compared to the outturn of sales in 2022-2023. Planned net sales of Treasury bills were expected to contribute £5.0 billion to debt management in 2023-2024, taking the planned stock of Treasury bills for debt management purposes at 31 March 2024 to £75.0 billion.

At the remit revision to coincide with the publication of the 2022-2023 outturn Central Government Net Cash Requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail) (CGNCR (ex NRAM, B&B, and NR)) on 25 April 2023, planned gilt sales in 2023-2024 were reduced by £3.3 billion to £237.8 billion.

Figure 4: Number of gilt issuance operations and proceeds



Gilt holdings

The DMA holds relatively small portfolios of gilts for debt management purposes:

- Gilt purchase and sale service: fair value of £12 million at 31 March 2023 (31 March 2022: £13 million) - these gilts are used for purchase and sale transactions with retail investors.
- Other gilt holdings: fair value of £166 million at 31 March 2023 (31 March 2022: £229 million) - this includes the residual from gilt auctions, (a small amount of each gilt auction may be retained due to rounding the allotment of gilts to successful bidders) and gilts bought by the DMO in the secondary market.

Cash management

The DMO successfully delivered its cash management remit for 2022-2023. The DMO monitored and assessed its performance using a range of key performance indicators, details of which will be reported in the DMO Annual Review 2022-2023, which will be available on the DMO website at www.dmo.gov.uk.

During the year, the DMO continued to meet the government's net cash requirements. This continued to be very challenging given ongoing stresses in sterling money markets.

The ongoing high value of DMA turnover during 2022-2023, is shown in Figure 5.

The DMO managed the government's net cash requirements throughout the year primarily by raising and investing cash in the sterling repo market.

The DMO also used weekly Treasury bill tenders to support its daily cash management activities. Throughout the year, there remained a strong market demand to buy Treasury bills at tender and through bilateral agreement.

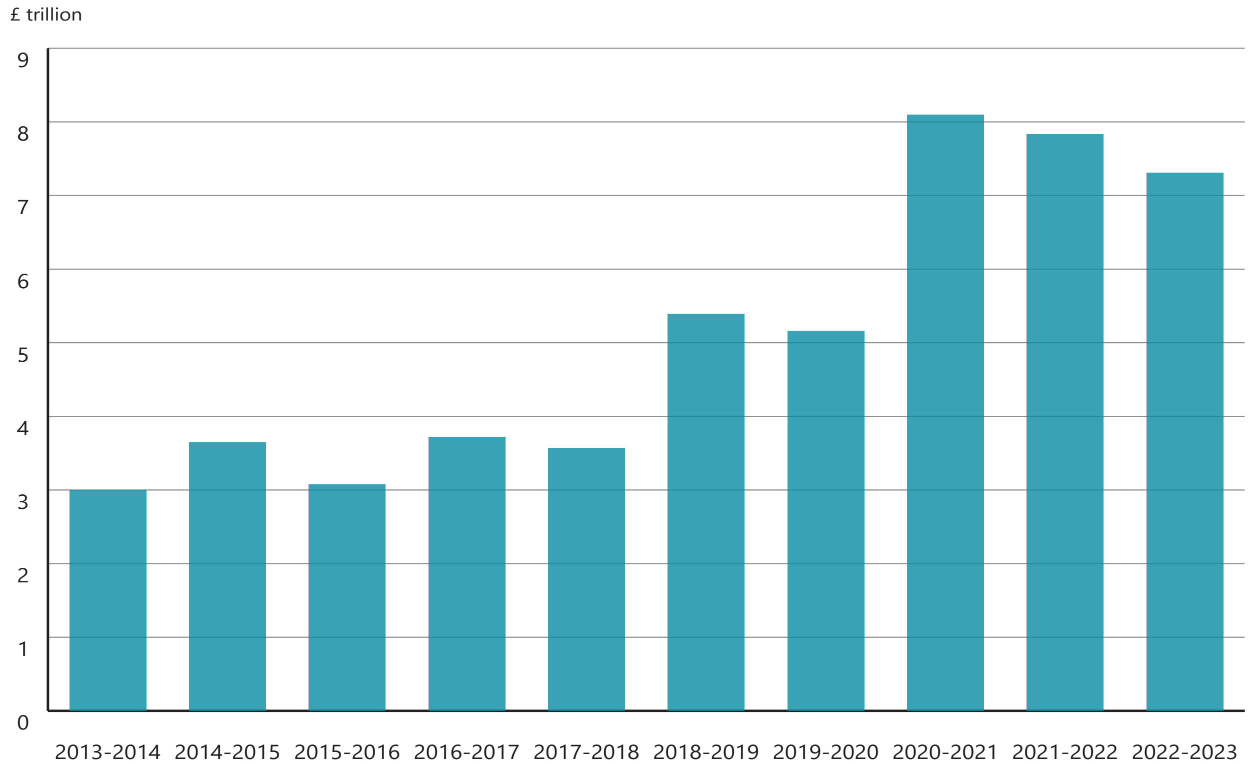
The Debt Management Account Deposit Facility (DMADF) continued to take cash deposits from local authorities and other government bodies, which can place surplus funds with the DMA for up to six months. The balance of these deposits varied throughout the year, ranging from £5 billion to £10 billion.

Additionally, the DMO traded a number of other money market instruments to ensure that the government's daily cash requirements were met.

In 2022-2023 gilt collateral was created and issued to the DMA for use in cash management operations, on three separate occasions, in April, July and October 2022. The total amount created was £63,309 million (nominal). The additional collateral is not available for outright sale. The collateral was issued to the DMA to replace redeeming gilts and to maintain the overall value of the DMA's collateral pool.

Throughout 2022-2023, the DMA held gilts for use as collateral in repo transactions. The collateral has been purchased from the National Loans Fund on various occasions since 3 February 2000. At 31 March 2023, gilts held specifically for use as cash management collateral had a carrying value of £81,642 million.

Figure 5: All DMA transactions by nominal value



PWLB lending facility

Throughout the year, the PWLB continued to provide local government finance and aimed to meet all local authorities' needs for long-term borrowing.

During this period, the PWLB advanced 494 new loans to borrowers (2021-2022: 675 loans), totalling £7.9 billion (2021-2022: £8.3 billion), and the DMO recognised fee income of £2.5 million (2021-2022: £2.2 million). At 31 March 2023, the loan assets outstanding to the PWLB were £96.2 billion (31 March 2022: £91.3 billion).

Additional information on the PWLB's activities, including its Annual Report and Accounts and lending arrangements, can be found on the PWLB section of the DMO website at www.dmo.gov.uk.

CRND

During the year, the CRND continued to provide an efficient, value for money service to its clients, with the main investment objectives being to maintain sufficient liquidity to meet withdrawals and to protect the capital value of the funds under management.

This resulted in fee income for the DMO of £0.5 million (2021-2022 £0.5 million). At 31 March 2023, the market value of funds under management was £82.9 billion (31 March 2022: £66.2 billion).

Additional information on the CRND's activities can be found on the CRND section of the DMO website at www.dmo.gov.uk.

Gilt purchase and sale service

The DMO continued to offer a gilt purchase and sale service to those registered on the approved group of investors database, maintained by Computershare Investor Services PLC, on behalf of the DMO.

During 2022-2023, this service transacted 279 gilt sales (2021-2022: 336 gilt sales) with a value of £11.7 million (2021-2022: £15.3 million) and 658 gilt purchases (2021-2022: 1,071 gilt purchases) with a value of £36.3 million (2021-2022: £27.0 million). This resulted in fee income for the DMO of less than £1 million (2021-2022: less than £1 million).

Discount Window Facility

Under the Discount Window Facility, the DMO may lend gilts to the Bank of England for a fee, so that it may swap them with participating banks for eligible collateral. Further information on this operation, including usage data, is available on the Bank of England website at www.bankofengland.co.uk.

Asset Purchase Facility

During the year the DMO maintained its readiness to meet the funding requirements of the part of the Bank of England's Asset Purchase Facility used to purchase high-quality private sector assets. As at 31 March 2023, the DMA had no funds on deposit (31 March 2022: none) with the Bank of England in relation to the Asset Purchase Facility.

Also during 2022-2023 (as was the case in 2021-2022), the Bank of England lent to the DMA specific gilts purchased via the Asset Purchase Facility in return for other gilts of the same value in delivery by value (DBV) transactions.

Further information on these operations, including usage data, is available on the Bank of England website at www.bankofengland.co.uk.

Other performance matters

Anti-corruption and anti-bribery

The DMO maintains policies that include anti-corruption and anti-bribery rules. These are applied as reported in the governance statement on page 44 to 57. The DMO has no corruption or bribery issues to report.

Forward look

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, acting as a key gateway for Government to the wholesale financial markets. It performs these functions primarily to support HM Treasury's objectives.

The DMO's key business planning themes for 2022-2023

The key business planning themes for 2023-2024 remain consistent with previous years. The plan is primarily focused on the continued delivery of the DMO's debt management, cash 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.

The DMO's key themes for 2023-2024

1. Delivery of the 2023-2024 financing remit – to be achieved primarily through sales of conventional and index-linked gilts.
2. The DMO will continue to work with HM Treasury in the development of, and innovations associated with, debt management policy.
3. Delivery of the government's planned green gilt issuance programme. The DMO plans to issue £10 billion (cash) of green gilts in 2023-2024, subject to demand and market conditions.
4. 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.
5. 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.
6. Continuing to maintain close contact with the Bank of England on operational matters relating to the Asset Purchase Facility and also conditions and developments relating to the sterling markets more generally.
7. Continuing to minimise operational risk by ensuring the DMO's business operations are fully supported by resilient, efficient and secure systems and processes and a comprehensive business continuity plan.
8. Continuing to seek out operational process efficiencies with the intention of further reducing cost and risk.
9. Continuing to monitor the resource and skills required to deliver the DMO's array of objectives within the budget settlement agreed with HM Treasury.

The DMO's objectives for 2023-2024

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 PWLB lending facility.
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.

The DMO's operational targets for 2023-2024

1. To ensure full compliance with HM Government's remit for the DMO (which is set out in the Debt Management Report 2023-24).

2. To publish the results of gilt auctions, gilt tenders and Treasury bill tenders within 15 minutes of the close of offer whilst achieving complete accuracy.

3. To achieve accuracy, within relevant materiality tolerances, in the recording and reporting of transactions relating to the DMO, DMA, PWLB and CRND as well as meeting the required deadlines for the publication and submission for audit of their respective annual report and accounts.

4. To ensure that the DMO responds to enquiries under the Freedom of Information Act within the statutory timeframe and is compliant with all General Data Protection Regulation (GDPR) requirements.

5. To ensure that gilt and cash management activities are operated in accordance with their respective 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, where the DMO is responsible for delivering stock or cash, it settles at least 99% (by value) on the due date.

8. To ensure all market sensitive announcements are timely and materially accurate.

9. To process all loan applications and all early settlement applications from local authorities within five working days and two working days respectively (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.

Planning uncertainties

In view of the size and scale of the debt and cash management remits, and evolving market conditions, the DMO will particularly need to retain the flexibility and capability to prioritise and to adapt quickly to changing conditions in the year ahead.

Key issues and risks

The key issues and risks facing the DMO are considered in the governance statement on page 44 to 57.

Sir Robert Stheeman
Chief Executive
3 July 2023

Performance analysis

Achievements against objectives

The DMO's objectives for 2022-2023 and its achievements against them are reported below.

1. To develop, provide advice on and implement the government's debt management strategy.

The DMO provided analysis and advice to HM Treasury in connection with the preparation of its financing remit for 2022-2023 ahead of the Spring Statement 2022, which was published on 23 March 2022. Once again, the advice focused on designing a debt issuance programme to deliver the government's debt management objective in challenging market conditions whilst the overall size of the gilt financing programme remained large by historical standards at £124.7 billion, albeit smaller than the previous two financial years. The advice also continued to take into account the government's risk preferences, including placing a high weight on minimising near-term exposure to refinancing risk and managing inflation exposure through decisions about the appropriate balance between index-linked and conventional gilts in the financing programme.

Overall remit delivery was again expected to be supported by ongoing structural demand from the UK pension and insurance sectors for long-dated conventional gilts, and also demand from banks and overseas investors for shorter-dated gilts. A well-diversified issuance programme across all maturities was again judged the best way to meet the debt management objective. Overall, the planned proportionate split of issuance at Spring Statement 2022 was broadly similar to that at the March 2021 Budget, with very small adjustments to the split of conventional issuance, but a larger increase in the index-linked proportion. However, a large increase in the gilt sales requirement in September 2022 involved a significant rise in the proportions of short and medium conventional issuance and broadly corresponding reductions in the proportions of long and index-linked gilts.

In-year remit revisions took place in April, September, and November 2022 (as referred to on page 18).

Figure 1 (on page 18) shows the comparison of the composition of the original remit and the gilt sales outturn for 2022-2023.

The DMO successfully delivered the financing remit in 2022-2023 with gilt sales of £169.5 billion, just £3 million lower than the final planned total. Net sales of Treasury bills for debt management purposes were £32.0 billion (in cash terms), which was in line with plans to increase the stock by £33.2 billion (in nominal terms) to £70.0 billion at 31 March 2023.

2. To develop, provide advice on and implement the government's cash management requirements.

The DMO successfully delivered its cash management objectives for 2022-2023, despite ongoing challenging market conditions prevalent throughout the period.

Cash management played a crucial role in successfully meeting the government's volatile daily cash needs as part of the management of the government's overall funding programme. As a consequence, turnover from cash management operations was close to record levels at £6.9 trillion during 2022-2023.

The DMO monitored and assessed its overall performance in meeting the government's objectives in cash management using a number of key performance indicators. A full account of cash management performance will be included in the DMO Annual Review 2022-2023, which will be available on the DMO website at www.dmo.gov.uk.

3. To provide advice and operational services to HM Treasury on issues relating to the management of the government's balance sheet.

The DMO has continued to provide advice and analysis to HM Treasury to support the management of the wider balance sheet for the government, including in relation to achieving government's goals for the level of inflation exposure in the government's debt portfolio.

4. To provide advice and operational services to government departments on wholesale markets-related issues and activities.

The DMO has continued to provide market and operational advice to HM Treasury and other departments, including in relation to the design and launch of the government's green financing programme, ensuring green gilt issuance aligned with the government's debt management objective and represented value for money for the Exchequer.

5. To develop and deliver its fund management responsibilities and, in particular, to provide a cost-effective service for stakeholders.

The DMO continued to provide a cost-effective service to client funds through the Commissioners for the Reduction of the National Debt (CRND). The DMO charged £0.5 million in 2022-2023 for services relating to the management of these funds, which had a value of £82.9 billion at 31 March 2023.

The operating cost of CRND in 2022-2023 is disclosed in the fees and charges section on page 69.

6. To provide a cost-effective lending service to local authorities through the PWLB lending facility.

The PWLB lending facility agreed £7.9 billion of new loans to borrowers in 2022-2023. The DMO estimates that £1.4 million of its costs were attributable in 2022-2023 for activities relating to this lending.

The operating cost of the PWLB in 2022-2023 is disclosed in the fees and charges section on page 69. Full details of the PWLB's operations appear in the PWLB Report and Accounts 2022-2023.

7. To resource, staff and manage the DMO efficiently and cost-effectively to ensure key responsibilities are achieved.

During 2022-2023, the DMO employed an average of 131 full-time equivalent staff, of which 110 were permanent civil servants and 21 were contract staff.

The DMO's training programme, complemented by additional specialist and individual training and support for ongoing professional studies, continues to maintain and enhance the skills base of its employees to the required level.

8. To manage, operate and develop an appropriate risk and control framework.

The DMO continued to operate an effective risk and control framework throughout the year as detailed in the governance statement on page 44 to 57.

Performance against targets

The DMO's targets for 2022-2023 and its performance against them are reported below.

1. **To ensure full compliance with the government's remit for the DMO (which is set out in the Debt Management Report 2022-23).**

Achieved. The DMO complied fully with the financing remit in 2022-2023. The gilt sales outturn was £169.5 billion (cash) following revisions to the remit (as referred to in the Performance summary section on page 18).

Gilt sales in 2022-2023 were achieved through the conduct of 59 auctions (48 conventional – including 4 green – and 11 index-linked), and six syndicated offerings. One gilt tender was held. Four of the syndications were for conventional gilts (including one green gilt). The other two syndications were for index-linked gilts. All maturities of gilts continued to be eligible for syndication in 2022-2023. The Post Auction Option Facility continued, with successful auction bidders entitled to 25% of the amount allotted at the relevant auction.

It was initially anticipated (at Budget 2022) that net Treasury bill issuance for debt management purposes would make a net contribution of £23.2 billion to meeting the Net Financing Requirement for 2022-2023. At the April 2022 and September 2022 remit revisions, the DMO announced additional net sales of Treasury bills for debt management purposes of £7.0 billion and £10.0 billion respectively. At Autumn Statement 2022, the DMO announced a reduction in net sales of Treasury bills for debt management purposes of £7.0 billion, taking the planned increase in 2022-23 to £33.2 billion and implying a planned stock of Treasury bills for debt management purposes of £70.0 billion at 31 March 2023.

The evolution of planned and actual gilt issuance by maturity and type through 2022-2023 is presented in the table below.

Table 2: 2022-2023 Gilt sales

	Conventional gilts (£bn)			Index-linked gilts (£bn)	Unallocated gilts (£bn)*	Total (£bn)
	Short-dated	Medium-dated*	Long-dated			
Planned gilt sales						
Budget 2022 remit (March 2022)	37.1	26.5	35.5	18.6	7.0	124.7
Remit revision (April 2022)	39.4	28.1	37.3	19.7	7.0	131.5
Remit revision (September 2022)	73.5	46.6	47.0	21.2	5.6	193.9
Autumn Statement 2022 remit (November 2022)	66.5	43.2	39.8	17.0	3.0	169.5
Actual gilt Sales						
Outturn****	**65.3**	**45.4**	**41.1**	**17.7**	**-**	**169.5**

* Includes green gilt sales of £6.4 billion.

** Includes green gilt sales of £3.5 billion.

*** The unallocated gilt sales were mainly allocated to conventional and index-linked operations throughout the year. The unallocated pot was also drawn down to accommodate the scheduling of a (short-dated) gilt tender in August 2022.

**** Figures may not sum due to rounding.

2. To publish the results of gilt auctions, gilt 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.

Achieved. The release time for the 59 auctions held during 2022-2023 ranged from 2 to 9 minutes and averaged 2.6 minutes (2021-2022: 2.9 minutes). The release time for the 52 Treasury bill tenders conducted during 2022-2023 ranged from 3 to 6 minutes and averaged 4.2 minutes (2021-2022: 4.6 minutes). The published results were accurate in all cases.

Table 3: Gilt auction publishing times

Publishing times	Number of auctions
0 - 1 minutes	-
1 - 2 minutes	2
2 - 3 minutes	40
3 - 4 minutes	15
4 - 5 minutes	1
5 - 10 minutes	1
10 - 15 minutes	-
Over 15 minutes	-

3. To achieve accuracy, within relevant materiality tolerances, in the recording and reporting of transactions relating to the DMO, DMA, PWLB and CRND as well as meeting the required deadlines for the publication and submission for audit of their respective annual report and accounts.

Achieved. Internal control procedures identified no significant errors. The Comptroller and Auditor General certified that the 2021-2022 annual report and accounts of the DMO, DMA, PWLB, and the CRND give a true and fair view.

The annual report and accounts of the DMO and DMA were laid before Parliament on11 July 2022. The annual report and accounts of other entities were laid where relevant.

4. To ensure that the DMO responds to enquiries under the Freedom of Information Act within the statutory timeframe and is compliant with all General Data Protection Regulation (GDPR) requirements.

Achieved. All of the DMO's responses to Freedom of Information Act requests were within the statutory 20 working day limit. The DMO complied with all statutory data protection requirements.

5. To ensure that gilt and cash management activities are operated in accordance with their respective operational market notices.

Achieved. Gilt and cash management activities were operated in accordance with their respective 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.

Achieved. All weekly targets were notified to the Bank of England 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 where the DMO is responsible for delivering stock or cash, it settles at least 99% (by value) on the due date.

Achieved. Over 99.9% of trades (by value) were successfully settled on the due date where the DMO was responsible for delivering stock or cash. The majority of failed trades were due to market counterparties having insufficient securities to meet their traded obligations.

8. To ensure all market sensitive announcements are timely and materially accurate.

The DMO publishes a large volume of data and market sensitive announcements across a range of activities, including gilt and Treasury bill issuance. There were five factual errors in material published by the DMO and three instances of material being published later than planned. There was no consequential impact on financial markets and appropriate steps have been taken to reduce the risk of reoccurrence.

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

Achieved. All loan and early settlement applications from local authorities were processed within five working days.

10. To ensure that the gilt purchase and sale service is operated according to its published terms and conditions.

Achieved. The gilt purchase and sale service during 2022-2023 was conducted fully in line with its terms and conditions.

Financial results of the United Kingdom Debt Management Office

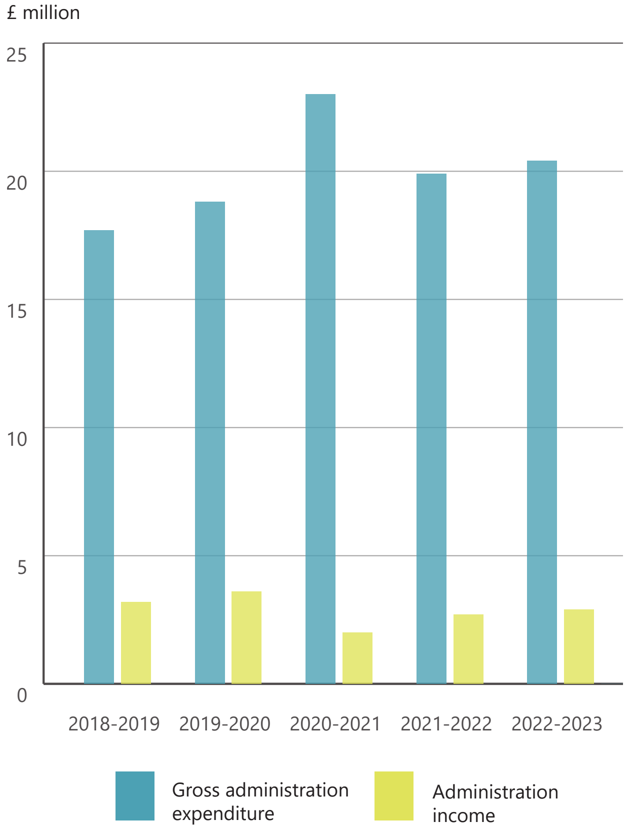
The DMO is financed through an allocation of HM Treasury's net funding approved by Parliament.

The DMO's net operating cost for 2022-2023 decreased by £1.4 million to £21.7 million (2021-2022: £23.1 million). The main components of net operating cost are described below.

Administration costs

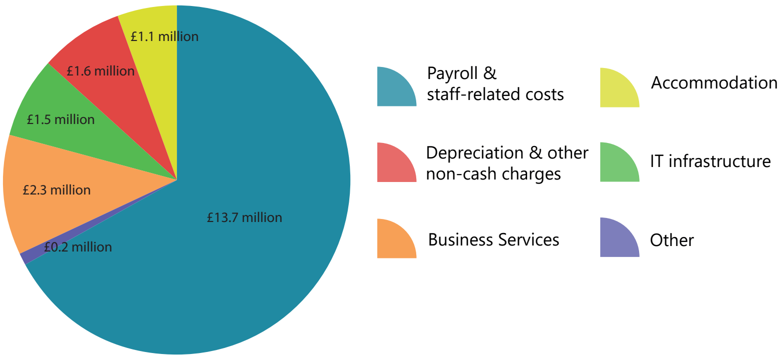
Administration expenditure primarily includes payroll and staff-related costs, IT infrastructure, accommodation, business services and depreciation.

Figure 6: Administration expenditure and income



In 2022-2023, **gross administration expenditure increased by £0.5 million** to £20.4 million (2021-2022: £19.9 million). The increase is largely due to higher National Insurance and pension costs together with increased use of business and information services. Rent and other accommodation costs were significantly lower due to first time adoption of IFRS16 Leases, but this was offset by increased depreciation arising from the right of use leased assets that are also now recognised. Other expenditure during 2022-2023 was largely consistent with the prior year.

Figure 7: Gross administration expenditure



Administration income

Income received by the DMO principally comprised fees charged for issuing new loans to PWLB customers and for the provision of fund management services to government clients of CRND.

During 2022-2023, **administration income increased by £0.2 million** to £2.9 million (2021-2022: £2.7 million).

The increase was mainly due to higher fee income arising from PWLB lending.

Demand for new borrowing is influenced by factors including the need for capital finance, changes in prevailing interest rates, the expectation of future interest rate levels, borrowers' eligibility for a concessionary rate, and one-off initiatives. Additional information on PWLB activities can be found on the PWLB section of the DMO website at www.dmo.gov.uk.

The increase in income from PWLB lending was marginally offset by a decrease in income from other activities, mainly rental income from other government departments for facilities services. Most such activities concluded upon expiry of the DMO's lease of its old offices.

Figure 8: Administration income

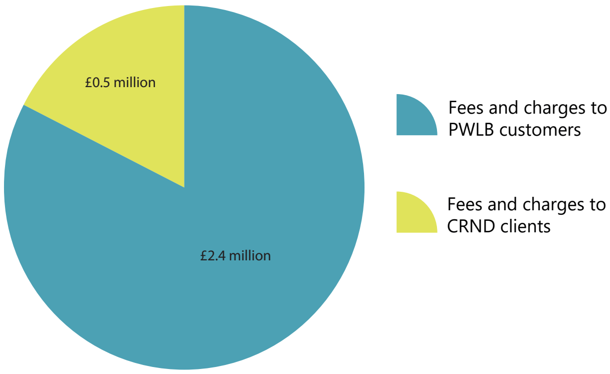
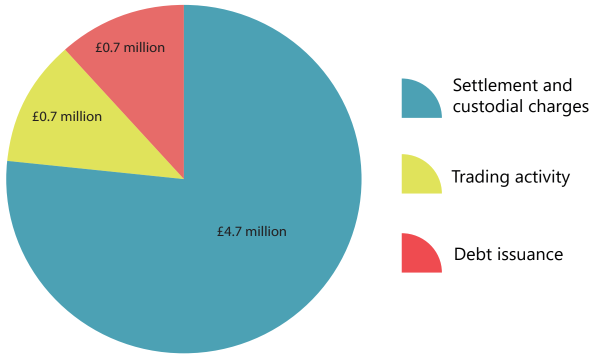


Figure 10: Gross programme expenditure

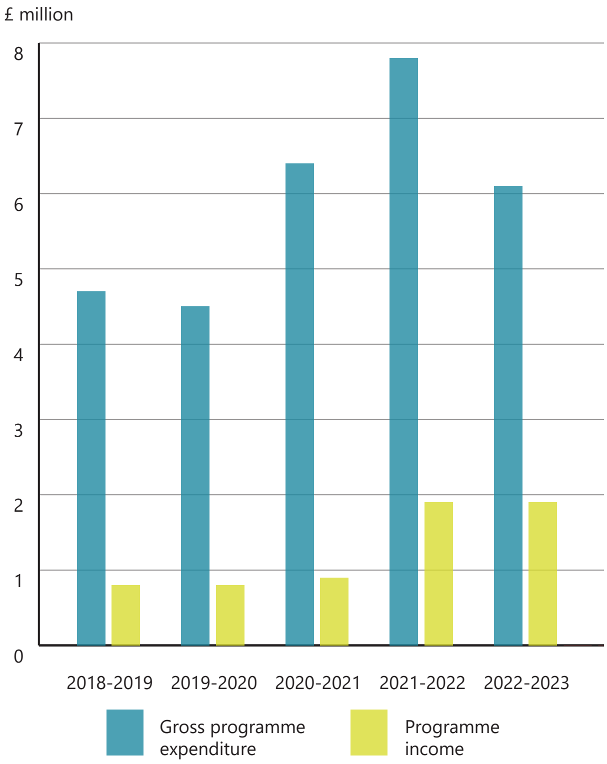


Programme costs

Programme expenditure covers the DMO's trading and gilt issuance activities. These include settlement and custodial charges, brokerage fees and the cost of acting as an agent for the National Loans Fund in issuing government backed securities.

During 2022-2023, **gross programme expenditure decreased by £1.7 million** to £6.1 million (2021-2022: £7.8 million). This decrease resulted mainly from lower settlement and custodial charges due to lower trading activity being required to meet the DMO's debt and cash management remit.

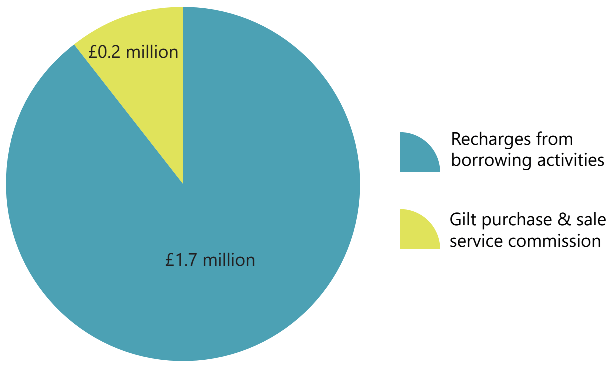
Figure 9: Programme expenditure and income



Programme income

During 2022-2023, **programme income remained at £1.9 million** (2021-2022: £1.9 million). There was little change in levels of recoveries in respect of the cost of acting as an agent for the National Loans Fund nor in the commission payable for gilt purchases and sales services.

Figure 11: Programme income



Statement of financial position

At 31 March 2023, the DMO's statement of financial position showed a deficit. This is a product of the relationship between the DMO and HM Treasury as its parent department. The DMO is an executive agency operating at arm's length from ministers, but its funding is an allocation of the total voted by Parliament to HM Treasury. The DMO has no operating capital or cash of its own; its liabilities are paid by HM Treasury. The deficit therefore reflects the DMO's net operating funding at that date rather than operating performance or solvency. IFRS 16 leases has been applied from 1 April 2022 and resulted in significant new right-of-use assets and liabilities. These arise from the DMO leasing buildings for use as office accommodation and data centres.

Financial results of the Debt Management Account

Statement of comprehensive income

The DMA's operations for the financial year 2022-2023 gave rise to **net interest income of £3,275 million** (2022: £3,915 million), **other losses of £5 million** (2022: other gains of less than £1 million) and **fee expense of less than £1 million** (2022: less than £1 million). This resulted in a statement of comprehensive income **surplus for the year of £3,270 million** (2022: £3,915 million).

The below table is a breakdown of the DMA's surplus for the year, showing the gains and losses arising from the different asset and liability types held by the DMA during the year. Income net of associated cost of funds shows the net income from certain assets and liabilities, which have a measurable associated cost of funds, namely the advance from the National Loans Fund. Other income shows the gross income for the remaining assets in the DMA. Other expense shows the gross expense for the remaining liabilities in the DMA.

Table 4: Breakdown of the DMA surplus

	£m
Income net of associated cost of funds	
Cash management	79
Facilitation of HM Treasury and Bank of England schemes:	
Gilts held for the Discount Window Facility	1,368
Other income	
Collateral pool	2,760
Net deposit at National Loans Fund (part not allocated as cost of funds)	1,784
Other	10
Other expense	
Deposits from CRND funds	(1,652)
Treasury bills (not part of cash management)	(1,079)
	3,270

Net interest income: £3,275 million

Interest income was generated mainly by the DMA's holding of collateral gilts for cash management operations (£2,760 million) and involvement in the Discount Window Facility (£1,368 million). These holdings resulted in net interest income because interest income on gilts for use as collateral or for lending to the Bank of England to facilitate the Discount Window Facility was greater than the interest expense on the liabilities that funded these assets.

Interest income from the DMA's gilts reflected the yields available when they were purchased from the National Loans Fund. Prevailing market rates were higher when the DMA purchased the majority of the Discount Window Facility gilts and collateral gilts, so the yields on these gilts were correspondingly high. On average therefore, these asset yields were greater than the average rates that the DMA paid on the corresponding, more short-term liabilities during 2022-2023.

The DMA funds its purchase of such gilts with an advance from the National Loans Fund, which incurs interest at the Bank Rate. The Bank Rate was increased incrementally throughout the year from 0.75% as at 1 April 2022 to 4.25% as at 31 March 2023.

The DMA did not seek to achieve a particular yield by timing its purchases of gilts for use as collateral or for lending to the Bank of England to facilitate the Discount Window Facility. Similarly, the DMA also did not seek to affect its funding rate – it incurred the Bank Rate on its advance from the National Loans Fund. As a result, the net interest income from these operations did not reflect the performance of the DMA. In addition, both the interest income and the interest expense which arose from these operations were internal to government, so the government received nil net interest income from these operations.

Interest income was also generated by the DMA's deposit at the National Loans Fund, which earned interest at the Bank Rate, and by loans and advances to financial counterparties, which yielded money market rates. Interest expense was also generated by deposits taken from other government departments, which incurred interest at rates related to the Bank Rate, by deposits by financial counterparties and by Treasury bills in issue, which generally incurred money market rates.

Relative to the government's marginal cost of funds, cash management operations achieved a net interest surplus. Details of the DMO's cash management performance will be included in the DMO Annual Review 2022-2023, which will be available on the DMO website at www.dmo.gov.uk.

Other gains and losses: £5 million loss

Changes in the value of cash management assets resulted in net expense of £5 million (2021-2022: net income of less than £1 million).

Fee expense: less than £1 million

The DMA incurred a fee expense of less than £1 million (2022: less than £1 million) from activities that included lending to the Bank of England to facilitate the Asset Purchase Facility.

Composition of the statement of financial position (see figure 12)

At 31 March 2023, the DMA held investment securities classified as held at amortised cost, which comprised gilts held for use as collateral and gilts held to facilitate the Discount Window Facility. These assets had a carrying value of £167,646 million at 31 March 2023 (31 March 2022 £111,876 million). This increase was principally due to the purchase of gilt collateral (with a nominal value of £63,309 million) partially offset by redemptions in the gilt collateral pool (with a nominal value of £2,241 million).

These assets continued to be funded in part by the advance from the National Loans Fund to the DMA. As at 31 March 2023, the carrying value of the National Loans Fund advance was £12 million (31 March 2022: £15,016 million).

The lending and borrowing that the DMA engaged in, as part of its cash management operations, varied in response to the funding requirements of the National Loans Fund, which reflected the government's daily cash flows. Loans and advances to financial counterparties, securities held for trading, and deposits by financial counterparties were actively managed to meet these funding requirements. This resulted in significant daily variations in the DMA's deposit at the National Loans Fund. As at 31 March 2023, securities held for trading were £3,694 million (31 March 2022: £2,254 million), loans and advances to financial counterparties were £29,525 million (31 March 2022: £70,206 million), deposits by financial counterparties were £12,408 million (31 March 2022: £34,367 million), and the DMA deposit at the National Loans Fund was £20,654 million (31 March 2022: £30,302 million).

During the year, the DMA issued Treasury bills by weekly tender with a nominal value of £162,000 million (see figure 13) (2021-2022: £130,800 million). Treasury bills still in issue at 31 March 2023 had a carrying value of £63,169 million (31 March 2022: £36,130 million). The change in Treasury bills in issue was planned in order for the DMO to meet its debt and cash management remit for 2022-2023.

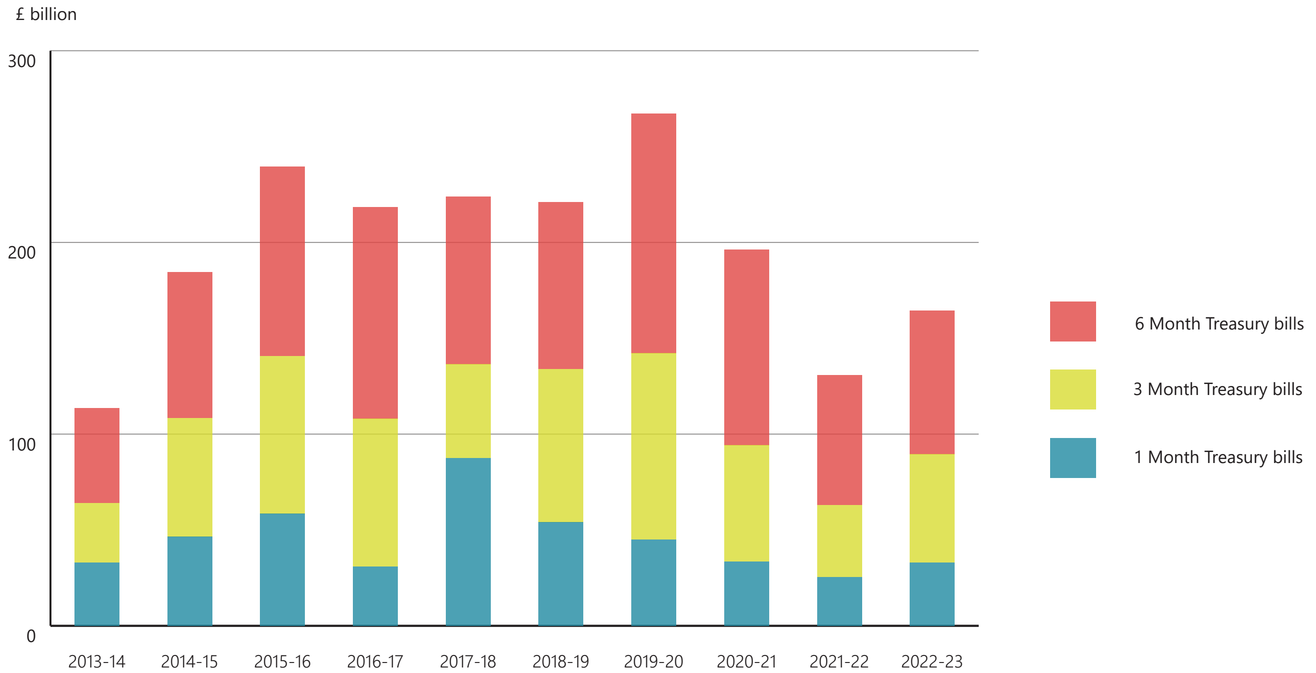
The DMA also received deposits from government customers throughout the year. This liability due to government customers was £88,605 million at 31 March 2023 (31 March 2022: £73,143 million). The increase was primarily due to a net increase of £16,770 million in deposits from the Commissioners for the Reduction of the National Debt.

Long-term expenditure trends

Since the function of the DMA is primarily to manage the government's debt and cash requirements, it has no long-term expenditure trends, only expenses from interest payments related to liabilities for funding the debt and cash needs of the government.

Figure 12: Assets and liabilities of the DMA

Figure 13: Treasury bill issuance by weekly tender



Sustainability report

Sustainability

Introduced in 2011, the Greening Government Commitments set out the key requirements for eligible government entities to improve the sustainability of their operations by, among other things, reducing consumption of fossil fuels and other finite resources. On 4 November 2021, the government expanded the scope of the Greening Government Commitments to apply to various smaller government entities including the DMO. As a result, the DMO was also required to include reporting on sustainability in its annual report and accounts. DEFRA sets the target commitments for eligible government entities, for which performance is assessed against the baseline for 2017-2018. The sustainability targets set by DEFRA are the same for all government departments, and their executive agencies, except for emissions reduction targets which are set individually for each department. For each sustainability theme, the targets comprise a headline target and subsidiary targets that are intended to help to inform delivery of the headline target. The headline targets are set out in the reporting below, except for *Nature recovery – making space for thriving plants and wildlife* which is not applicable to the DMO.

The DMO does not have all the historic data required to achieve best practice in sustainability reporting, as it was not required to collect all the data previously. However, the DMO has some historic data on energy use, travel, and consumption of paper, which has enabled proportionate and informative reporting on the headline targets.

Separately from activities relating to the sustainability of the DMO's own estate and operations (reported below), the DMO also plays a role in the UK government's wider sustainability strategy by managing the sale of green gilts. Since the launch of the Green Financing Programme in June 2021, the UK government has raised £26 billion in the sale of green gilts, raising funds for projects such as zero-emission buses, offshore wind, and schemes to decarbonise homes and buildings.

Reducing greenhouse gas (GHG) emissions

There are three types of emissions included in the scope of public sector emissions reporting under the GGC targets: scope 1 (emissions from fuel burnt in boilers or engines owned or controlled by the entity), scope 2 (emissions from electricity or heating purchased from suppliers) and scope 3 (emissions from business travel). The target for the DMO is to reduce overall emissions by 69% by March 2025 compared to the baseline year 2017-2018.

The DMO has no scope 1 emissions. The DMO has scope 2 emissions comprising electricity and gas purchased to run its systems and heat its estate.

Table 5: Energy usage, cost and CO2 emissions - GHG scope 2 emissions (purchased energy)

	2018		2020	2021	2022	2023
Electricity (mWh)	620		683	579	317	299
Electricity (£000)	134		159	119	50	109
Gas (mWh)	283		286	400	137	88
Gas (£000)	9		9	12	9	14
Total CO2 emissions (tCO2e)	270		227	209	97	74
Comparison against 2017-2018 baseline			**-16%**	**-23%**	**-64%**	**-73%**

Key activities influencing the profile of DMO electricity and gas use since 2017-2018 have been the DMO's move to new, more energy efficient office accommodation, and out-sourcing of its data centres to a specialist provider in 2020-2021. An overlap in the use by the DMO of its old office and new office accommodation increased gas use in 2020-2021. For 2022, the gas energy, gas cost and total CO2 emissions have been revised from the figures published last year.

Table 6: Travel, cost and CO_2 emissions - GHG scope 3 emissions (business travel)

	2018		2020	2021	2022	2023
Total cost of business travel (£000)	30		29	11	1	25
Total distance of international flights (km)	139,000		89,000	-	11,000	75,000
Total CO_2 emissions (tCO_2e)	30		16	1	1	12
Comparison against 2017-2018 baseline			**-47%**	**-98%**	**-97%**	**-61%**

The DMO's scope 3 emissions for business travel are predominantly driven by international air travel. DMO staff undertook no domestic flights in 2022-2023 (2021-2022: zero). More generally, travel restrictions resulting from the COVID-19 pandemic had a very significant effect on the DMO's business travel in 2020-2021 and 2021-2022. The CO_2 emissions for previous years have been revised from the figures published last year.

Overall DMO's aggregate emissions (including both scope 2 and scope 3 emissions) during 2022-2023 were 71% below emissions in the baseline year 2017-2018.

Minimising waste and promoting resource efficiency

The target for the DMO is to reduce the overall amount of waste generated by 15% from the 2017-2018 baseline. The DMO's total waste in 2022-2023 was approximately 2 metric tonnes (2022: 2 metric tonnes) of which around one third (2022: one third) was recycled. Though the DMO did not measure (or have a robust method for estimating) its waste for the baseline year 2017-2018, the DMO considers that the overall waste in 2022-2023 would represent a reduction of more than 15% (compared to 2017-2018) due to the increase in homeworking brought about by the COVID-19 pandemic.

Paper consumption

The target is to reduce the government's paper use by at least 50% from the 2017-2018 baseline. The move to hybrid working brought about by the COVID-19 pandemic has resulted in a very significant reduction in paper use by the DMO as staff have become more accustomed to using electronic versions of documents that they would have been printed previously.

Table 7: Paper consumption

	2018		2020	2021	2022	2023
A4 equivalent (reams)	630		580	40	140	180
Comparison against 2017-2018 baseline			**-8%**	**-94%**	**-78%**	**-71%**

Use of water

The target is to reduce water use by at least 8% from the 2017-2018 baseline. The DMO does not have a water meter measuring use of water for its areas in the multi-occupancy building in which it is located. Estimation of water use for the purposes of cost recharging by the DMO's landlord is by reference to its floor space. The DMO did not record is water use in the baseline year 2017-2018 and does not have a robust method of estimating its water use at that time. Nonetheless, it is likely that its water use has reduced by more than the target 8% since 2017-2018 due to increased working from home and the introduction of some water-use efficiency processes.

Consumer single use plastics

The target is to remove all consumer single use plastics from the government estate. Though its use of consumer single use plastics has been very low for many years, the DMO does not expect to remove all such items in the short term. The DMO will seek to apply benefits secured by wider government in this area as they occur in due course.

Sustainable procurement

The DMO's procurement procedures are aligned with the government's guidance on sustainability aspects of procurement, including aspects around carbon emission reduction, social value, waste reduction and engagement with SMEs.

DMO business cases for procurement of services or supplies include considerations around sustainability in relation to the delivery of the contract. Sustainability considerations are then reflected as specific requirements to the suppliers and form part of the tender evaluation process ensuring that potential suppliers meet relevant sustainability standards as applicable. Once the contract is awarded, the monitoring of these aspects continue via the DMO's contract management governance processes. This requires suppliers to provide information on various aspects of the contract, including sustainability developments as agreed in the terms of the contract.

Climate change adaption

The DMO has not developed a climate change adaption strategy during 2022-2023, but it will seek to apply developments secured by wider government in this area as they occur in due course.

Reducing environmental impacts from ICT and digital

In 2020-2021, the DMO reduced the environmental impact of its use of ICT and digital technology by completing the outsourcing of its data centres to a specialist provider. This has been a significant influence in reducing the DMO's GHG scope 2 emissions as set out in table 5.

Other environmental impacts from ICT and digital relevant to the DMO include minimising waste to landfill and promoting reuse. At significant replacement stages in future, the DMO expects to follow good practice in environmental disposal of ICT. The DMO undertook minimal disposal of ICT in 2022-2023.

Sir Robert Stheeman
Chief Executive
3 July 2023

Accountability report

The accountability report comprises three sections: a **corporate governance report**, a **remuneration and staff report**, and a **parliamentary accountability and audit report**. The **corporate governance report** includes the following information: the responsibilities of the Accounting Officer; the composition, responsibilities and actions of the Advisory Board and Audit and Risk Committee and how they have supported the Accounting Officer and enabled the objectives of the DMO; the key risks faced by the DMO and how it seeks to manage them. The **remuneration and staff report** states the remuneration of the members of DMO's Advisory Board, details of the DMO's remuneration policy and information on the overall staffing profile and cost. The **parliamentary accountability and audit report** includes a formal opinion by the DMO's external auditor to certify that the financial statements give a true and fair view of the state of the DMO's and DMA's affairs for the year and that they have been prepared in accordance with all relevant rules.

These three sections contribute to the DMO's accountability to Parliament and comply with best practice in relation to corporate governance norms and codes for central government departments. In particular, the **corporate governance report** seeks to do so by describing the key mechanisms the DMO employs to ensure it maintains high standards of conduct and performance. This includes the statement of Accounting Officer's responsibilities, which describes his accountability to Parliament for the DMO's use of resources and compliance with rules set by HM Treasury to ensure best practice in financial management. The governance statement reflects the applicable principles of the Corporate Governance Code for Central Government Departments. The **remuneration and staff report** complies with best practice in remuneration reporting, as adopted for government reporting by HM Treasury. The **parliamentary accountability and audit report** confirms that expenditure and income of the DMO and borrowings and investments of the DMA have been applied to the purposes intended by Parliament and confirms that information in the parliamentary accountability disclosures has been audited and approved by external auditors

Corporate governance report

Directors' report

Name of Chief Executive and Advisory Board

The members of the DMO's Advisory Board are considered to be its directors. The authority and responsibilities of the Advisory Board are set out in the governance statement on page 44 to 57.

The DMO established an Advisory Board, replacing the previous Managing Board, with effect from 1 June 2022.

- **Dame Sue Owen** (from 13 June 2022)
  Non-executive Chair of the DMO's Advisory Board
- **Sir Robert Stheeman**
  Chief Executive
- **Jo Whelan**
  Deputy Chief Executive and Co-Head of Policy and Markets
- **Jim Juffs**
  Chief Operating Officer
- **Jessica Pulay**
  Co-Head of Policy and Markets
- **Tom Josephs** (until 13 June 2022)
  Non-executive HM Treasury representative
- **Ruth Curtice** (from 15 September 2022)
  Non-executive HM Treasury representative
- **Paul Fisher**
  Non-executive Director
- **Paul Richards** (until 30 April 2023)
  Non-executive Director

Martin Egan joined the DMO's Advisory Board as a non-executive director from 2 May 2023.

Sir Robert Stheeman
Chief Executive
3 July 2023

Directors' conflicts of interest

In 2022-2023, no material conflicts of interest have been declared by Advisory Board members.

Reporting of personal data related incidents

The DMO had no protected personal data related incidents during 2022-2023.

Statement of Accounting Officer’s responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the DMO to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction on page 94.

Under Schedule 5A of the National Loans Act 1968, HM Treasury has directed the DMO to prepare for each financial year a statement of accounts for the DMA in the form and on the basis set out in the accounts direction on page 136.

Both accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the DMO and the DMA, and of their income and expenditure, statement of financial position and cash flows for the financial year.

In preparing both accounts, the Accounting Officer is required to:

- observe the relevant accounts direction issued by HM 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 accounts;
- prepare the accounts on a going concern basis; and
- confirm that the annual report and accounts as a whole are fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgements required for determining they are fair, balanced and understandable.

In addition, in preparing the accounts of the DMO, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM). The Accounting Officer is required to prepare the DMA accounts in accordance with applicable accounting standards and be consistent with the relevant requirements of the FReM.

HM Treasury has appointed the Chief Executive as Accounting Officer of the DMO and the DMA.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the DMO’s and the DMA’s assets, are set out in Managing Public Money published by HM Treasury.

Disclosure to auditors

The Comptroller and Auditor General is responsible for auditing the DMO and the DMA accounts, as specified by the Government Resource Accounts Act 2000 and the National Loans Act 1968 respectively.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the DMO’s and the DMA’s auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the DMO’s and the DMA’s auditors are unaware.

Governance statement

Scope of responsibility

Ministerial responsibility for the United Kingdom Debt Management Office (DMO) was vested as follows:

Responsible Minister	Duration	Post
John Glen	9 January 2018 - 6 July 2022	Economic Secretary to the Treasury and City Minister
Richard Fuller	8 July 2022 - 6 September 2022	Economic Secretary to the Treasury and City Minister
Andrew Griffith	7 September 2022 - 27 October 2022	Financial Secretary to the Treasury and City Minister
	27 October 2022 - present	Economic Secretary to the Treasury and City Minister

As Accounting Officer I am responsible for the Debt Management Account (DMA) and the DMO. My accountability is subject to the overall responsibility of the Permanent Secretary of HM Treasury in his capacity as Accounting Officer for that organisation. In exercising my responsibilities for the DMA, I pay due regard to the consequences for the National Loans Fund and will consult the Permanent Secretary if I consider that any actions taken could have implications for him in his role as National Loans Fund Accounting Officer.

The Commissioners for the Reduction of the National Debt (CRND) is a separate business entity within the DMO. Responsibility for the reports and accounts of CRND lies with the Secretary and Comptroller General of CRND. The Secretary and Comptroller General of CRND is responsible for maintaining a sound system of internal control that supports the delivery of the entity's agreed policies, objectives and targets. As Accounting Officer, I am responsible for the wider DMO control framework within which the CRND is managed. The Secretary and Comptroller General of CRND takes assurance from me as to the continued sound maintenance of this framework in relation to their own control responsibilities. The PWLB lending facility is operated by the DMO on behalf of HM Treasury. The facility provides loans to local authorities, and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury. Prior to 25 February 2020, PWLB loans were provided by the Public Works Loan Commissioners. Following a government consultation in 2016 the Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 abolished the Commissioners and transferred their statutory powers to HM Treasury. The PWLB lending facility then became a function within the DMO.

I pay due regard to the objectives set by HM Treasury ministers for the government's debt and cash management in exercising my specific responsibilities for debt and cash management. This includes ensuring that all activities of the DMA are conducted in a manner that provides value for money. I have put arrangements in place to ensure there is a proper evaluation of the balance between cost and risk in the DMO's operations, taking into account any cost, risk or other strategic objectives, parameters or guidelines agreed with HM Treasury.

I am responsible to the Chancellor of the Exchequer and accountable to Parliament for the DMO's use of resources in carrying out its functions, as set out in the Framework Document and Managing Public Money.

The DMO is committed to the highest standards of corporate governance and is guided by the Corporate Governance Code for central government departments (the Code) and the principles laid down in that Code. I confirm that the DMO has complied with the principles which cover:

- Parliamentary accountability;
- The role of the Board;
- Board composition;
- Board effectiveness; and
- Risk management.

The DMO does not conduct any part of its business with, or through, arm's length bodies (ALBs) and therefore the DMO has not applied principle six which covers departmental governance arrangements with ALBs.

Advisory Board

In June 2021, HM Treasury published a Tailored Review of the DMO. Tailored Reviews aim to assess, amongst other things, an organisation's form and function, its control and governance arrangements, and its relationship with its sponsoring department and other relevant organisations. Overall the review concluded that the DMO is a highly successful and effective organisation, maintaining a strong track record of delivering the financing and cash management remits set by HM Treasury Ministers, often in extremely difficult and challenging circumstances.

The review made a series of recommendations regarding the DMO's governance arrangements. In particular, the review recommended that, in terms of its status, the DMO should be regarded as a 'Model 2' Executive Agency as defined in the Cabinet Office guidance. A Model 2 Executive Agency is one which is deemed by the sponsor department to require a greater level of independence from its home department in order to carry out its functions effectively, or one that is considered by its home department to be of sufficient size and importance to require independent assurance. On this basis, the review recommended that the DMO's governance arrangements should be amended accordingly, including the creation of an Advisory Board to replace the existing Managing Board and, as a consequence of this, to introduce a Non-Executive Chair (NEC) to the Board membership. The process to recruit a NEC was undertaken in the second half of the year and successfully completed as announced on 4 May 2022. The inaugural Advisory Board was held on 13 June 2022.

The Accounting Officer was supported during 2022-2023 by the Managing Board and then the Advisory Board (the Board) which, in addition to the Accounting Officer, comprised:

- Dame Sue Owen (from 13 June 2022)
  Non-executive Chair of the DMO's Advisory Board - Dame Sue was a civil servant for 30 years, including 14 years at HM Treasury. Amongst other things, she worked on fiscal policy and debt management policy at HM Treasury. Dame Sue has previously held senior roles at the Foreign and Commonwealth Office, Department for International Development and Department for Work and Pensions. Most recently she served as the Permanent Secretary at the Department for Digital, Culture Media and Sport, from 2013 to 2019. She has other current roles, including non-executive director at Pantheon International plc and Serco plc.
- Jo Whelan
  Deputy Chief Executive and Co-Head of Policy and Markets
- Jim Juffs
  Chief Operating Officer
- Jessica Pulay
  Co-Head of Policy and Markets
- Tom Josephs (until 13 June 2022)
  Non-executive HM Treasury representative
- Ruth Curtice (from 15 September 2022)
  Non-executive HM Treasury representative
- Paul Fisher
  Non-executive Director - During a 26-year career at the Bank of England, Paul Fisher served as a member of the Monetary Policy Committee from 2009 to 2014, the interim Financial Policy Committee from 2011 to 2013 and the Prudential Regulation Authority (PRA) Board from 2015 to 2016. He has a number of current roles including Chair of the London Bullion Market Association.
- Paul Richards
  Non-executive Director - During a 29-year career at Bank of America Merrill Lynch, Paul was Managing Director of business in fixed income trading, Debt Capital Markets and Corporate Banking across Europe, the Americas and Asia Pacific. Following his retirement from banking, he spent 18 months as a senior consultant to the Financial Conduct Authority (FCA). He is currently chairman of Insignis, a FinTech company he launched in 2015.

Non-executive directors are appointed by the Accounting Officer following a formal process and have fixed terms defined in their contracts of service. All non-executive Board members receive an induction on joining and have access to additional information and training where it is considered necessary for the effective discharge of their duties.

The primary role of the Board is to advise the Accounting Officer on any key decisions affecting the DMO. The Board's responsibility, as defined within its written Terms of Reference, operates in support of the Chief Executive in the achievement of the DMO's objectives. Specifically, the Board:

- Reviews and provides constructive advice on how the DMO manages and delivers its core activities, objectives and key strategic projects over the course of each financial year;
- Monitors and advises on the development of key policies and business initiatives, including major strategic projects, taking account of key risks and advising whether there are adequate mitigations in place;
- Monitors and advises on the DMO's control environment and financial position, taking due account of the role and recommendations made to the Accounting Officer by the DMO's Audit and Risk Committee;
- Promotes the DMO's core values and ethos, providing support to ensure that all DMO activities are conducted in an appropriate and fair manner and command respect both internally and externally; and
- Advises and provides constructive challenge to ensure that the decision-making and risk-management processes in the DMO are fit for purpose and robust.

An executive sub-committee of the Board generally meets weekly and supports the Accounting Officer on operational decisions.

During 2021-2022, in line with good practice, the Board's effectiveness was reviewed through the Tailored Review. The previous Terms of Reference for the Managing Board were supplanted by a new Terms of Reference for the Advisory Board in 2022-2023.

2022-2023 Board activities

Board meetings were held regularly throughout 2022-2023. In addition to regular agenda items, including progress against the remit, risk management and staffing, the Board paid particular attention to the following matters during the year:

- DMO Strategic Priorities and Workplan;
- Recruitment, Retention and Remuneration at the DMO;
- DMO Budget and third party charges;
- People survey results;
- DMO Strategic Partners;
- Terms of Reference and future board arrangements;
- Market challenges;
- High Level Risks;
- Hybrid working.

Board, as well as Audit and Risk Committee, attendance is outlined in the table below:

Table 8: Board attendance and Audit and Risk Committee attendance

1 April 2022 - 12 June 2022	Managing Board		Audit Committee	
	Possible	Actual	Possible	Actual
Sir Robert Stheeman	1	1		
Jo Whelan	1	1		
Jim Juffs	1	1		
Jessica Pulay	1	1		
Tom Josephs	1	1		
Paul Fisher	1	1	1	1
Paul Richards	1	1	1	1
Rodney Norman	n/a	n/a	1	1

13 June 2022 - 31 March 2023	Advisory Board		Audit and Risk Committee	
	Possible	Actual	Possible	Actual
Dame Sue Owen	6	6		
Sir Robert Stheeman	6	6		
Jo Whelan	6	6		
Jim Juffs	6	6		
Jessica Pulay	6	6		
Tom Josephs	1	1		
Ruth Curtice	4	4		
Paul Fisher	6	6	3	3
Paul Richards	6	6	3	2
Rodney Norman	n/a	n/a	3	3

Audit and Risk Committee

The Accounting Officer was supported during 2022-2023 by the Audit and Risk Committee (formerly the Audit Committee) on matters relating to risk, internal control and governance. The Audit and Risk Committee covers the activities of the DMO, DMA, CRND and PWLB lending facility. The members of the Audit and Risk Committee during 2022-2023 were:

- Paul Fisher (Chairman)
- Paul Richards
- Rodney Norman
  Audit and Risk Committee member - Rodney Norman was Finance Director of NS&I until 2018.

Prior to that he was the Treasury Accountant at HM Treasury. This was preceded by a career in the City where he qualified as a Chartered Accountant with PWC and was Finance Director of the Banking Division of Close Brothers. He is currently a non-executive member of the Audit and Risk Committee of the Army and a senior advisor to the Bank of England. Until recently he was a non-executive director of the Pension Protection Fund and a member of its Audit and Risk Committee.

Audit and Risk Committee meetings are typically attended by the Accounting Officer, either or both of the Co-Head of Policy and Markets, the Chief Operating Officer, the Head of Internal Audit, the Head of Finance, the Head of Risk, the National Audit Office and KPMG.

The Committee's overall objective is to give advice to the Accounting Officer on:

- The overall processes for risk, control and governance and the governance statement;
- Management assurances and appropriate actions to follow from internal and external audit findings, risk analysis and reporting undertaken;
- The financial control framework and supporting compliance culture;
- Accounting policies and material judgements, the accounts and the annual report and management's letter of representation to the external auditors;
- Whistleblowing arrangements for confidentially, raising and investigating concerns over possible improprieties in the conduct of the DMO's business;
- Processes to protect against money laundering, fraud and corruption; and
- The planned activity and results of both internal and external audits.

During the period under review the Audit and Risk Committee paid particular attention to the following areas:

- Anti-money laundering process review;
- Gilt auction & Treasury Bill tender process;
- Deposits received and rates setting;
- Market announcements and published documents;
- IT and cyber security risks;
- Review of past audit reports and management actions taken;
- Application development and testing controls;
- Fraud risk management;
- User access rights and permissions;
- Review of payment systems and continuity arrangements;
- Credit Risk – limit setting, limit monitoring and reporting;
- Identification and reconciliation of loan interest received;
- Relationship management with strategic partners and key suppliers;
- Sustainability review of the contracts management framework;
- High level risks and issues/principal risks and uncertainties;
- Impact of Covid risk;
- Development of risk assurance maps;
- Whistleblowing reporting process;
- Review of international sanctions;
- Accounting standards for leases;
- Risk management review;
- Credit & market risk policies.

The Audit and Risk Committee covers a regular programme of agenda items, together with other current topics, and met four times during the year.

Other committees

The Accounting Officer and the Board have also been informed by the following operational committees throughout the period under review:

Debt Management Committee

The Debt Management Committee meets to commission and review the DMO's advice and recommendations to HM Treasury on the debt financing remit at the Budget and any revisions at the Spring Statement. The Debt Management Committee also ensures evidence-based arguments are available to support the quarterly issuance strategy decision-making process of the DMO.

It is also the main forum used to commission and review advice on debt management policy or market-related issues as they arise during the year.

The Debt Management Committee met eleven times in 2022-2023.

Cash Management Committee

The Cash Management Committee meets to agree the cash management strategy, taking account of the Exchequer forecast; the DMO's remit; market conditions; risk limits; and any dealing parameters for the Treasury bill programme.

The Cash Management Committee also reviews performance measures relating to dealing.

The Cash Management Committee met regularly (typically every fortnight) throughout 2022-2023.

Fund Management Review Committee

The Fund Management Review Committee reviews the performance of the government funds under the management of the CRND, including any reporting on compliance activities undertaken in relation to the funds

The Fund Management Review Committee met four times in 2022-2023.

Business Delivery Committee

The Business Delivery Committee (BDC) reviews the status of the delivery of DMO's business and work plan as a collective cross-functional body, resolving emerging issues in a timely way, and agreeing priorities to ensure the plan stays on track. The most significant initiatives monitored by the BDC during the year were the upgrade of the website, a new HR system and improving the DMO security profile.

The BDC met regularly (typically weekly) throughout 2022-2023.

Risk committees

The Accounting Officer is informed by three risk committees covering credit and market risk, operational risk and risk controls. More detail on the roles, responsibilities and activities of these committees can be found in the sections below.

Risk management and internal control

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the DMO's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Managing Public Money document.

The system of internal control is based upon what the Accounting Officer, with the support of the Board, considers to be appropriate, taking account of the DMO's activities, the materiality of risks inherent in those activities and the relative costs and benefits of implementing specific controls to mitigate those risks. The Board has determined a formal risk appetite statement which sets out the amount of risk that the DMO is currently willing to accept and is aligned to its capacity to bear risk. The DMO's position differs from that of a commercial organisation, in that it must always be in a position to transact the underlying business required to meet its remit. As a result, the risks associated with this activity cannot be avoided and the system of internal control can only provide reasonable assurance against failure to achieve aims and objectives.

The risk and control framework

The Board has designed and put in place a formal risk management framework covering all the activities conducted and overseen by the DMO. This framework helps ensure that the Accounting Officer is appropriately informed and advised of any identified risks and also allows the management of risks to be monitored. The framework covers both regular operations and new business initiatives, and evolves as the range and nature of the DMO's activities change. The framework is supported by a clear 'three lines of defence' model:

- First line of defence

Day-to-day management of risk is the responsibility of management staff within business areas. The DMO considers effective risk management to be central to its operations and fosters a risk aware culture in which all members of staff, including Board members, are encouraged to understand and own the risks that are inherent in those operations. In particular, the DMO seeks to promote an environment in which staff feel comfortable to identify new risks and changes in previously identified risks, as well as weaknesses, so that these may be assessed and appropriate mitigating actions put in place.

Mitigating actions typically include segregation of duties, staff training, clear lines of management delegation and reporting and robust business continuity arrangements.

The DMO employs certain business critical models which enable it to perform market analysis and model the impact of different issuance strategies on the government's debt portfolio. The DMO has put in place a robust quality assurance framework for the models that it uses which extends to cover validation of results and any changes in approach. An independent review of the business critical models in May 2022 provided assurance on the modelling and identified recommendations for further enhancements that have now been implemented.

- Second line of defence

Oversight of risk is provided by the Board and risk committees, whose role is to provide regular and systematic scrutiny of risk issues which lie within their remit, and to support the Accounting Officer in exercising his overall responsibility for risk management.

The DMO considers that the principal risks it faces arise in three broad areas: credit risk, market risk and operational risk. It has established committees to meet regularly to review the changing risk pattern for each of these areas and to set up appropriate responses. The work of these committees is described in more detail below.

Credit and Market Risk Committee

The Credit and Market Risk Committee (CMRC) meets on a regular basis, with more frequent meetings held when required, for example during times of market stress. The CMRC monitors and reviews the management of market, credit, and liquidity risk. It sets limits across a range of exposures including counterparties, countries and instruments held as collateral as well as setting absolute limits on net daily flows across the DMA.

The CMRC has advised the Accounting Officer and the Board, during the year, on significant current and emerging risk issues and actions to mitigate such risks, including the impact of unusually high volatility in the gilt market and instability in parts of the banking sector. The CMRC met ten times during 2022-2023.

Operational Risk Committee

The Operational Risk Committee (ORC) meets regularly to monitor operational risks and to review significant risk issues. The ORC is responsible for reviewing risk incidents identified through the DMO's risk incident reporting process, and for considering whether planned mitigating actions are appropriate. The ORC also reviews and tracks the progress of actions identified by Internal Audit. The ORC's scope includes issues relating to information risk, IT security, business continuity, anti-fraud and key supplier risks.

The ORC has advised the Accounting Officer and the Board, during the year, on significant operational risk concerns, significant risk issues and trends as well as actions to mitigate such risks. The ORC has also focused this year on business continuity, procurement and contracts management, and the release management process. The ORC met eight times during 2022-2023.

Controls Group

The Controls Group meets periodically to review issues affecting the DMO's system of internal control and to analyse material changes to the control environment. The Controls Group recommends actions to management to implement changes where appropriate. The Controls Group consists of representatives from Finance, Risk, Compliance and Internal Audit.

The Controls Group has advised the Accounting Officer, the Board and senior management on any significant risk concerns stemming from the introduction of new business activities as well as risks relating to other change management activities. The Controls Group has also advised the Accounting Officer on suitable mitigating actions where appropriate.

During the year the Controls Group reviewed key project change proposals. Other topics reviewed included business continuity assurance, publication process improvement, electronic trading platforms, payment enhancements and security.

Risk Management Unit

The risk committees are supported by the DMO's Risk Management Unit (RMU) which ensures key risk issues arising from these committees are communicated to the Accounting Officer and senior management on a regular basis, with additional ad-hoc reporting if an emerging issue requires it. The RMU also supports the formal risk reporting processes with defined outputs, including regular detailed risk reports which are reviewed by the Board and senior management.

As well as supporting the risk committee structure, the RMU provides control advice on risks. As part of the second line of defence the RMU is separate from, and independent of, the DMO's trading operations. The RMU conducts risk analysis and provides market, credit and operational risk capability for the DMO.

The identification, monitoring and mitigation of operational risk is facilitated by the RMU via quarterly consultations with heads of business units and functional teams. Significant risk issues are assessed for materiality and probability of occurrence. New risks, and risks to which exposure is increasing, are highlighted and actions are taken to ensure effective management of all risks. The DMO has Senior Risk Owners (SROs) who undertake a cross-functional moderation process to promote better prioritisation of operational risks across the organisation. The RMU maintains a central exception log to record all risk incidents raised, in order to identify control weaknesses and assign actions to improve controls.

- Third line of defence

The Internal Audit function is the third line of defence and provides the Accounting Officer with independent and objective assurance on the overall effectiveness of the DMO's system of internal control. It does this through a risk based work programme which is presented to and approved by the Audit and Risk Committee at the start of each year. All audits review the processes in place and where necessary raise findings relating to control weaknesses and management actions are agreed to mitigate any risks and enhance the control structure. Progress against agreed management actions is monitored on a regular basis to ensure issues highlighted by internal audit, as well as any issues raised by the external auditors, and other identified actions to improve the control environment, are managed and progressed within agreed deadlines. The function is independent of the DMO's trading activities and operations and has a direct reporting line to the Accounting Officer. The work of Internal Audit includes assessing the effectiveness of both control design and control performance. With its independence and overall remit, Internal Audit provides a third line of defence against the risks that might prevent the DMO delivering its objectives.

Risk policies and procedures

The DMO's risk policies reflect the high standards and robust requirements which determine the way risks are managed and controlled. The Accounting Officer, with the support of the Board, ensures that policies are regularly reviewed to reflect any changes in the DMO's operations and/or best practice. In 2022-2023, this included policies relating to health & safety, procurement and contracts management, business continuity, remote access, clear desk, misconduct escalation, anti-bribery and anti-fraud.

Staff are required to confirm that they have read and accepted the DMO's rules on personal dealing and the DMO's policy on the use of information systems and technology, and that they are aware of, and will continue to keep up to date with, the DMO's policies on whistleblowing, anti-fraud, anti-money laundering and information security. The DMO ensures that this exercise is undertaken on an annual basis which helps staff to maintain a good level of awareness of the DMO's policies in these areas. All members of staff have job descriptions which include reference to the specific key risks they are expected to manage.

Managers in each business function are responsible for ensuring that the operations within their area are compliant with all plans, policies, procedures and legislation.

During 2022-2023 no concerns were raised by staff under the DMO's whistleblowing policy.

Key developments

- COVID-19

  The government's plan for removing the remaining legal restrictions while protecting people most vulnerable to COVID-19 and maintaining resilience was set out in the "COVID-19 Response: Living with COVID-19" guidance first published in February 2022 and later revised in May 2022.

  The COVID-19 risk assessment was transitioned into the health & safety risk assessment, with suitable controls maintained, where appropriate.

- Ukranian conflict

  Further to the Russian invasion of Ukraine, the DMO continued to closely monitor actual and potential effects on activities, markets, counterparties and suppliers.

  The DMO continued to work with partners across government to ensure all necessary steps were taken to maintain cyber security defences and also assurances were received from some strategic partners regarding their own arrangements, with details of the assurances put in place to mitigate against any disruption or impact. Internal assessments considered potential accounting or disclosure impacts and any effects through legal and regularity changes.

Risk profile

The Accounting Officer and the Board believe that the principal risks and uncertainties facing the DMO are outlined opposite, together with the key actions taken to manage and mitigate them:

Principal risks and uncertainties	Mitigation and management
Economic and market conditions	
Economic and market conditions, including those arising from the global pandemic (COVID-19), could adversely affect the DMO's ability to deliver HM Treasury's financing Remit or its cash management objective.	The DMO continually monitors conditions in the gilt and cash markets as well as wider economic conditions. Since these factors are outside of the DMO's control, mitigating activities are intended to anticipate potential impacts so as to put the DMO in a position to respond appropriately. The DMO maintains regular contact with its primary dealers, known as the Gilt-edged Market Makers (GEMMs), and gilt investors which helps it to gather market intelligence on an ongoing basis. In addition, the DMO undertakes internal research with the objective of developing a more detailed understanding of the investor base and potential demand for gilts. The DMO also receives information on market conditions through its consultation meetings at which representatives from GEMMs and investors are invited to give their views on the market's preferences for the issuance of individual gilts in the forthcoming period. Furthermore, the DMO gains valuable market insights from other major sovereign issuers through bilateral relationships and through its membership of intergovernmental forums on public debt. To help ensure that liquidity in the gilt market is maintained in all market conditions, the GEMMs are required by the DMO to make effective two-way prices to their client in all gilts for which they are recognised as a market maker. To ensure competitive pricing in its cash operations, the DMO maintains relations with a wide range of money market counterparties, and cash management is conducted through a diversified set of money market instruments in order to minimise cost whilst operating within agreed credit and market risk limits. There is a strong preference in favour of using the lowest risk products, counterparties and issuers from the set of suitable or available ones, to ensure that the DMO only deals with highly creditworthy counterparties and issuers. This year, work continued to identify and evaluate potential enhancements to cash management activities to ensure greater resilience and future-proofing against liquidity risks.

Principal risks and uncertainties	Mitigation and management
	The DMO actively tracks relevant regulatory initiatives and developments, and maintains close contact with regulators and HM Treasury, providing expert advice on the potential impacts of regulation on its markets and operations. In 2022-2023, the DMO continued to issue green gilts which were first launched in 2021-2022, helping to finance projects that will be critical in ensuring the government can meet its climate and environmental goals, including its commitment to reach Net Zero greenhouse gas emissions by 2050. Alongside the first anniversary of the inaugural green gilt issue in September 2022 the initial allocation report was published, setting out how funds raised via issuance of green gilts and sales of retail Green Savings Bonds in 2021-2022 have been allocated to eligible green expenditures as set out in the green financing framework. The government will publish further allocation reports annually. In this circumstance, it will be particularly important for the DMO to effectively communicate its cost and operational challenges to HM Treasury, its parent department. Close collaboration with HM Treasury to resolve greater budget challenges will be critical to continued successful delivery of the DMO's objectives.
IT systems and infrastructure	
The DMO relies on a number of IT and communications systems to conduct its operations effectively and efficiently. In particular, certain systems are central to the DMO achieving its internal target for the release of accurate data, including auction results, to the market. Failure to achieve these targets could result in markets acting on inaccurate information which could cause significant reputational damage.	During the year the DMO has progressed initiatives to further strengthen the resilience and security of its IT network and infrastructure. Strategic roadmap priorities were reviewed and the DMO carried out an internal health-check. The DMO has in place structured business continuity arrangements to ensure it is able to continue market operations in the event of an internal or external incident that threatens business operations. Arrangements to support critical operations were in place throughout the year with a core team in the office, support teams working from the disaster recovery site and staff working from home. Assessment of business continuity needs is also a specific requirement for new projects and major business initiatives.

Principal risks and uncertainties	Mitigation and management
IT and data security	
The DMO could be the subject of an external attack on its IT systems and infrastructure. Through its activities the DMO gathers, disseminates and maintains sensitive information, including market sensitive information. The DMO seeks to ensure the highest standards of data protection and information management.	The DMO continues to work to maintain the required level of protective security covering physical, personnel and information security and is particularly aware of the growing threat posed by cyber security risk. IT and data security risks continued to be a specific area of focus in 2022-2023 and the DMO's IT team have been enhancing the detective, protective and recovery security controls. Risks to data and information held by the DMO are owned and managed by designated Information Asset Owners. The DMO has a Senior Information Risk Owner (SIRO) who is responsible for the information risk policy and the assessment of information risks. The SIRO is a member of the Board and provides advice to Board members on the management of information risks The DMO has put in place several layers of defensive controls against external and internal attacks.
Reliance on third parties	
A number of the operational systems and services on which the DMO relies are provided or supported by third party suppliers.	To mitigate the risk of failure of a key third party supplier the DMO undertakes regular corporate risk assessments of each key supplier to assess a range of factors including its financial strength and operational capacity, including the reliance on sub-contractors. The DMO has dedicated contract owners who meet regularly with key suppliers and monitor performance against the agreed Service Level Agreements, where appropriate. The Procurement Manager and the Vendor Management Group have been working to embed consistent standards of supplier management across account managers by improving visibility of key contracts and continually sharing best practice. The DMO has introduced enhanced monitoring for critical suppliers (i.e. strategic partners) that focuses on risk and strategic aspects. Scrutinised areas include inherent risks, scenario analysis, assessment of supply chain risks including fourth parties, monitoring and assessing residual risks, and mitigation planning. External consultancy work assisted with the approach. The DMO sought assurance that its key suppliers and strategic partners follow National Cyber Security Centre (NCSC) guidance on cyber-security.

Principal risks and uncertainties	Mitigation and management
Transaction processing	
The DMO relies on its operational processes to successfully execute a significant number of high value transactions on a daily basis. Reliance on the accurate execution of processes exposes the DMO to operational risk arising from process breakdowns and human error.	A key component of the DMO's control framework is the segregation of duties to ensure independent checking and reconciliation, and to avoid concentration of key activities or related controls on individuals or small groups of staff. In particular, segregation of duties takes place between front and back office activities. All teams have documented procedures for their main activities and there are clearly defined authorisation levels for committing the DMO externally. The RMU conduct regular control and compliance testing, providing the executive sub-committee of the Board with assurance on the effectiveness of operational controls and compliance with the relevant Financial Conduct Authority and Prudential Regulation Authority rules in the dealing and settlement areas. The DMO also maintains a strong audit and control environment which includes a well embedded incident reporting procedure. This promotes the early identification and resolution of risk incidents and provides visibility to the Accounting Officer and the Board. The continued focus has been on enhanced compliance monitoring over transaction processing, to provide assurance over controls standards during remote working. During the year, a review of the transaction processing controls produced recommendations for enhancements. The implemented changes have resulted in controls being more robust and processes streamlined.
People risk	
The DMO relies on maintaining a sufficiently skilled workforce at all levels of the organisation to operate effectively and efficiently, ensuring delivery of its strategic objectives. The DMO is exposed to an increased risk of operational failure if it is unable to compete for, and retain, sufficiently skilled staff over time. Competition for skilled staff is generally against employers from the private financial services sector who have historically offered higher remuneration packages that are not subject to public sector remuneration policies.	DMO recruitment activity helps ensure that individuals with the appropriate level of skill and experience are appointed at all levels within the organisation. This helps mitigate the level of human error which could result in process failures. The DMO follows the Civil Service Commission's recruitment principles and selection process to ensure vacancies are filled on merit on the basis of fair and open competition.

Principal risks and uncertainties	Mitigation and management
	The DMO has a formal performance appraisal process and all staff are given clear and achievable objectives. The DMO's Training and Development policy is designed to help ensure that staff have the right skills to meet its objectives. Staff are encouraged to engage in activities which promote development and the DMO provides regular training opportunities and support for professional studies to enhance the skills base of its employees. The DMO also provides cross-training for different roles to help improve staffing flexibility and reduce turnover pressure. Salaries are benchmarked annually to equivalent private sector pay levels in order to keep management aware of any significant disparities that are developing. Challenges with recruitment and retention were again identified this year and were reviewed by the Advisory Board. The DMO has a policy to recognise those staff who have performed well in their roles through the payment of one-off non-consolidated performance related awards. Any awards are assessed annually by the DMO Performance Review Team. They are determined by individual performance and criteria associated with the DMO's performance management process, which are also aligned to the policy for public sector pay. A Staff Council has met regularly throughout the year and enabled an open exchange of ideas and views between management and staff representatives. Staff Council was consulted to discuss the future hybrid working arrangements. This has been an effective conduit for wider communication and consultation with all staff. On an annual basis all DMO staff are given the opportunity to take part in the Civil Service People survey. Any issues raised via this route, with suggested mitigating action if required, are considered by the Accounting Officer and the Board. The organisation has placed greater emphasis on undertaking key person risk analysis for succession planning. The DMO is a disability confident employer.

Review of effectiveness

I have reviewed the effectiveness of the system of internal control and confirm that an ongoing process designed to identify, evaluate and prioritise risks to the achievement of the DMO's aims and objectives has been in place throughout 2022-2023. This review included an assessment of any material risk and control issues identified and reported during the relevant period.

My review has been informed by the advice of the risk committees, the work of the internal auditors and the executive managers within the DMO, who have been delegated responsibility for the development and maintenance of the internal control framework. Comments made by the external auditors in their management letter and other relevant reports have also informed this review.

In my role as Accounting Officer I have been advised on the implications of the result of my review, regarding the effectiveness of the system of internal control, by the Board and the Audit and Risk Committee.

In 2022-2023, no ministerial directions were given and no material conflicts of interest have been declared by Board or Audit and Risk Committee members in the Register of Interests.

In my opinion, the DMO's system of internal control was effective throughout the financial year and remains so on the date I sign this statement.

Sir Robert Stheeman
Chief Executive
3 July 2023

Remuneration report and staff report

The DMO has a Performance Review Team, which during 2022-2023 comprised:

- **Sir Robert Stheeman**
  Chief Executive (Chair)
- **Dame Sue Owen**
  Non-executive (Chair)
- **Jo Whelan**
  Deputy Chief Executive and Co-Head of Policy and Markets
- **Jim Juffs**
  Chief Operating Officer
- **Jessica Pulay**
  Co-Head of Policy and Markets
- **Paul Fisher**
  Non-executive Director
- **Paul Richards**
  Non-executive Director

The Performance Review Team is responsible for overseeing the DMO's delegated pay arrangements and ratifying the DMO's Pay Remit submission to HM Treasury and its subsequent implementation. Pay progression takes into account individual performance, job size, external market comparators and public sector pay policy and affordability.

Remuneration policy

Senior DMO staff

The Chief Executive is a member of the Senior Civil Service, employed by HM Treasury and included in HM Treasury's appraisal arrangements. Remuneration is set by HM Treasury in accordance with the Senior Salaries Review Body's Report.

Further information about the work of the Review Body can be found at www.gov.uk/government/organisations/office-of-manpower-economics.

Salaries of the Deputy Chief Executive, Chief Operating Officer and Co-Head of Policy and Markets are set internally in accordance with the DMO's delegated pay arrangements by the Chief Executive and the non-executive director members of the Performance Review Team.

Non-executive directors

The Chief Executive, in discussion with the non-executive Chair of the DMO's Advisory Board, determines the remuneration of the non-executive directors. Remuneration is reviewed annually taking account of external market comparators and public sector pay policy and affordability, but the DMO reserves the right not to make adjustments.

Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Senior DMO staff

The Chief Executive's contract is for a fixed term period to 31 December 2023. The contract may be extended for further fixed term periods and is subject to a 3-month notice requirement.

The appointments of the Deputy Chief Executive, the Chief Operating Officer and Co-Head of Policy and Markets have been made in accordance with the provisions of the Civil Service Commissioners' Recruitment Code. The employment contract for each requires a 3-month termination period.

Non-executive directors

Paul Fisher was contracted for an initial 3-year period from 1 December 2016. His contract has since been extended twice and is due to end on 30 November 2024.

Paul Richards was contracted for a 3 year period from 13 May 2019. His contract was extended and ended on 30 April 2023.

Dame Sue Owen was appointed on 1 June 2022 for an initial 3-year period as the first Non-executive Chair of the DMO's new Advisory Board, which replaced the Managing Board.

The employment contracts for Paul Fisher, Paul Richards and Dame Sue Owen are subject to a 5-week early termination notice period. Contracts will automatically terminate on the date stated unless an extension has been agreed. As office holders there is no provision for compensation for early termination.

Remuneration received including pension benefits

In accordance with the requirements of the Companies Act 2006 and Statutory Instrument 2013 No. 1981, the following table includes pension benefits. The amounts shown in the table relate to the remuneration received in the relevant financial year. Performance related payments and the pivotal role allowance in each year relate to performance in the year prior to payment of the remuneration, so 2021-2022 and 2020-2021.

Table 9: Remuneration of senior DMO staff and non-executive directors

		Salary £000	Pivotal role allowance* £000	Performance related payments £000	Total payments excl. sale of annual leave £000	Sale of annual leave** £000	Accrued pension benefits*** £000	Total including pension benefits and sale of annual leave £000
Senior DMO staff								
Sir Robert Stheeman - Chief Executive	2022-2023	155 - 160	25	10 - 15	195 - 200	5 - 10	-	200 - 205
	2021-2022	150 - 155	25	10 - 15	190 - 195	5 - 10	-	200 - 205
Jo Whelan - Deputy Chief Executive and Co-Head of Policy and Markets****	2022-2023	115 – 120	-	10 - 15	130 - 135	5 - 10	(18)	120 - 125
	Full-time equivalent	*160 - 165*	-	*15- 20*	*180 - 185*	*5 - 10*	*(25)*	*160 - 165*
	2021-2022	115 - 120	-	10 - 15	125 - 130	5 - 10	21	155 - 160
	Full-time equivalent	*160 - 165*	-	*15 - 20*	*175 - 180*	*5 - 10*	*29*	*215 - 220*
Jim Juffs - Chief Operating Officer	2022-2023	160 - 165	-	15 - 20	180 - 185	5 - 10	(26)	160 - 165
	2021-2022	155 - 160	-	15 - 20	175 - 180	5 - 10	9	190 - 195
Jessica Pulay - Co-Head of Policy and Markets	2022-2023	160 - 165	-	15 - 20	175 - 180	-	62	240 - 245
	2021-2022	155 - 160	-	15 - 20	175 - 180	5 - 10	61	245 - 250
Non-executive directors								
Dame Sue Owen (From 1 June 2022)	2022-2023	20 - 25	-	-	20 - 25	-	-	20 - 25
	Full-year equivalent	*20 - 25*	-	-	*20 - 25*	-	-	*20 - 25*
	2021-2022	-	-	-	-	-	-	-
Paul Fisher	2022-2023	15 - 20	-	-	15 - 20	-	-	15 - 20
	2021-2022	15 - 20	-	-	15 - 20	-	-	15 - 20
Paul Richards	2022-2023	15 - 20	-	-	15 - 20	-	-	15 - 20
	2021-2022	15 - 20	-	-	15 - 20	-	-	15 - 20

(This disclosure has been audited.)

* The Pivotal Role Allowance scheme was introduced in the Senior Civil Service reward system in April 2013 to promote the retention of specialist staff in the most critical roles across government. The allowance is payable as a lump sum annually after the end of the financial year. It is removable, non-pensionable and subject to regular review. Eligibility for the allowance was approved by the Chief Secretary to HM Treasury and the Minister for the Cabinet Office.

** Periodically, the DMO allows staff to exchange a portion of their leave for remuneration when operational demands during the year suggest that some staff may be unable to take their full allocation of leave.

*** For Jo Whelan, Jim Juffs and Jessica Pulay the value of pension benefits accrued during the year is calculated as:

- The real increase in pension multiplied by 20; plus
- The real increase in any lump sum; less
- The contributions made by the individual.

The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

For some older pension schemes the increase in pension due to extra service may not be sufficient to offset the effect of inflation so that, in real terms, the pension value can reduce.

**** The salary disclosed reflects part-time hours and is calculated on a pro rata basis from a full-time equivalent of 0.72 in 2022-2023 (2021-2022: 0.72).

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation (except for the Pivotal Role Allowance, which is shown separately).

The DMO is not responsible for the remuneration of any Ministers or the non-executive HM Treasury representative (Tom Josephs until 13 June 2022 and Ruth Curtice from 15 September 2022), who is an employee of HM Treasury.

Performance related payments

The payment of performance related awards are assessed annually by the Performance Review Team. These one-off payments are determined by individual performance and criteria associated with the DMO's performance management process and are aligned to the policy for public sector pay.

Remuneration multiples

Government organisations are required to disclose the relationship between the remuneration of the highest-paid member of staff and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

Table 10.1: Remuneration multiples

	2023 £000	2022 £000	Change
Chief Executive			
Salary and allowances	190-195	185-190	3%
Performance pay and bonuses	10-15	10-15	0%
Average remuneration of other DMO employees			
Salary and allowances	61,010	58,278	5%
Performance pay and bonuses	4,586	4,679	(2%)

Table 10.2: Remuneration multiples - Chief Executive: other DMO employees

	25th percentile	Median	75th percentile
2023			
Other DMO employees:			
Salary and allowances	£40,000	£54,694	£74,000
Total remuneration	£42,946	£57,875	£78,306
Ratio of total remuneration of Chief Executive : other DMO employees	4.7 : 1	3.5 : 1	2.6 : 1
2022			
Other DMO employees:			
Salary and allowances	£39,207	£51,993	£69,649
Total remuneration	£40,440	£56,271	£74,297
Ratio of total remuneration of Chief Executive : other DMO employees	5.0 : 1	3.6 : 1	2.7 : 1

(This disclosure has been audited.)

Salary and allowances as defined for the purposes of this report includes salary and sale of annual leave. Total remuneration, as defined for the purpose of this report, includes salary, non-consolidated performance-related pay, and sale of annual leave. Neither includes severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration ratios are largely consistent with the prior period and there are no material variances to note.

As at 31 March 2023 (and 31 March 2022), no DMO employee received total remuneration in excess of the Chief Executive and total remuneration of DMO staff ranged from £28,000 (to the nearest £000) to £200,000-205,000 (2021-2022: £26,000 to £200,000-205,000).

Pension benefits

Table 11: Pension benefits of senior DMO staff

	Accrued pension and related lump sum at pension age at 31 March 2023 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2023 £000	CETV at 31 March 2022 £000	Real increase in CETV £000
Jo Whelan	40 – 45	-	811	749	(35)
Jim Juffs	45 – 50	-	1,075	1,023	(40)
- plus lump sum	130 – 135	-			
Jessica Pulay	25 – 30	2.5 – 5	381	314	38

(This disclosure has been audited.)

CETV is an abbreviation for 'Cash Equivalent Transfer Value'. This measure of value is explained on page 62.

Sir Robert Stheeman chose not to be covered by the Civil Service pension arrangements during 2022-2023.

The non-executive directors are not entitled to any pension benefits.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements.

From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.

Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent for members of classic, premium, classic plus, nuvos and alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found on the website www.civilservicepensionscheme.org.uk.

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-2024 CETV figures.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff numbers and related costs

Table 12: Staff costs

	Permanent staff		Others		Total	
	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000
Staff costs						
Salaries	7,855	7,354	2,962	3,500	10,817	10,854
Social security costs	995	883	22	27	1,017	910
Other pension costs	1,867	1,704	26	41	1,893	1,745
	10,717	**9,941**	**3,010**	**3,568**	**13,727**	**13,509**
Amounts charged to capital	-	-	(137)	-	(137)	-
Total net costs	**10,717**	**9,941**	**2,873**	**3,568**	**13,590**	**13,509**
Average number of full-time equivalent persons employed by the DMO	110	104	21	26	131	130
Of which, staff employed on capital projects	-	-	1	-	1	-

(This disclosure has been audited.)

Staff numbers in 2022-2023 and 2021-2022 include one full-time equivalent senior civil servant (grade SCS 2).

The heading 'Others' includes interim staff employed either via recruitment agencies, on a fixed term contract, or via inward secondments from other bodies.

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Permanent staff costs reported for 2022-2023 did not include any exit costs for staff. Permanent staff costs reported for 2021-2022 included exit costs for one member of staff. This was an ex-gratia payment agreed with HM Treasury and was in the range of £25,000 to £50,000. Where the DMO has agreed early retirements, the additional costs are met by the DMO and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the reported staff costs.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as 'alpha', are unfunded multi-employer defined benefit schemes, but the DMO is unable to identify its share of the underlying assets and liabilities. The PCSPS's Actuary valued the scheme as at 31 March 2016 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2022-2023, employer contributions of £1,846,006 (2021-2022: £1,678,217) were payable to the civil service pension schemes at one of four rates in the range 26.6 per cent to 30.3 per cent (2021-2022: 26.6 per cent to 30.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary usually reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2022-2023 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £46,052 (2021-2022: £64,510) were paid to one or more of the panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 per cent to 14.75 per cent of pensionable pay (2021-2022: 8.0 per cent to 14.75 per cent of pensionable pay). Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,538, 0.5 per cent of pensionable pay (2021-2022: £2,256, 0.5 per cent of pensionable pay), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2023 were £4,463 (31 March 2022: £6,449). Contributions prepaid at that date were £nil (31 March 2022: £nil).

Male / female staff breakdown

The number of male and female staff at the DMO at 31 March 2023 was:

Table 13: Male / female breakdown

	Male	Female
Advisory Board members	4	4
Employees	83	32
Total	**87**	**36**

Employees do not include contractors employed through agencies. (No Advisory Board members are employed through agencies.)

Off-payroll engagements

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll.

The DMO contracts with some staff off-payroll. These are typically specialists whom the DMO requires for temporary assignments.

The tables below show off-payroll engagements by the DMO during the year. There have been no board members and/or senior officials with significant financial responsibility engaged off-payroll between 1 April 2022 and 31 March 2023.

Table 14: Off-payroll engagements at 31 March 2023

Total off-payroll engagements for more than £245 per day as at 31 March 2023:	16
Of which, have an engagement duration of:	
Less than 1 year	7
Between 1 & 2 years	2
Between 2 & 3 years	1
Between 3 & 4 years	2
Between 4 & 5 years	2
Between 5 & 6 years	1
Between 6 & 7 years	1

Table 15: Off-payroll engagements during the year

Total engagements between 1 April 2022 and 31 March 2023 for more than £245 per day:	28
Of which, have been assessed as:	
Within IR35	25
Outside IR35	3
Number of off-payroll engagements who have transferred to the DMO payroll during the year	1
Number of engagements reassessed for consistency/assurance purposes during the year	0
Number of engagements for which IR35 status changed as a result of the assessment	0

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.

Employee relations

A Staff Council has met regularly throughout the year and enabled an open exchange of ideas and views between management and staff representatives and has been effective as a conduit for wider communication and consultation with all staff. Union arrangements also continue for staff transferred to the DMO in 2002 under TUPE principles. Staff may join a trade union of their choice.

Improving good practice and investment in people

The DMO's training and development policy aims to ensure that its staff have the right skills to meet its objectives. The DMO provides targeted training and support for professional studies to enhance the skills base of its employees.

Staff turnover

Staff turnover for the period was 18.1 per cent (2021-2022: 13.5 per cent). The turnover figure is calculated as the number of leavers within the period divided by the average number of staff in post during the period.

Staff engagement

The annual Civil Service People Survey measures employee engagement. The survey is designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organisational success, and are able to enhance their own sense of wellbeing. The survey is used to generate a headline indicator of the overall level of employee engagement and nine indicators of the factors that influence engagement.

The survey result for the DMO's headline level of employee engagement in 2022 was 76 per cent (2021: 75 per cent). The Civil service benchmark, the median score of all participating organisations, was 65 per cent (2021: 66 per cent). There were 101 participating organisations in 2022 (2021: 101).

Staff sickness absence

Recorded working days lost due to DMO staff sickness absence in 2022-2023 were 948 or 3.6 per cent of the total available (2021-2022: 346 or 1.4 per cent of the total available). For 2021-2022, the figures did not include COVID-19 related absences, as the relevant records included periods of absence, for example due to self-isolation, for which the member of staff was not unwell and could work from home.

Diversity and inclusion

The DMO has a diverse workforce and is committed to inclusivity.

The DMO has policies that cover its recruitment process. In order to attract a more diverse talent pool, job adverts are worded to reduce the risk of unintended cultural barriers to entry. The DMO accommodates flexible working patterns to encourage people with caring responsibilities to apply. Briefing sessions for hiring managers and interview panels are conducted to ensure that recruitment is fair and open. The DMO guarantees an interview for disabled applicants who meet the minimum role requirements.

The DMO is committed to inclusion and is currently examining the training available to reinforce the need and benefits of a diverse workforce. The DMO value of being scrupulously fair is applied to support equality and equity in activities such as the performance appraisal processes. Revisions of our objective setting processes include individual objectives relating to diversity and inclusion. The DMO is working to partner with HMT staff networks to enable members of staff to join groups of interest. Female members of staff can join HM Treasury's Women's Network. The DMO celebrates religious festivals and respects religious holidays and working requirements.

The DMO does not set formal targets for the cultural diversity of its staff. Nonetheless, in early 2023, 46 per cent of DMO staff identified as coming from culturally diverse backgrounds (prior year: 53 per cent). In the DMO's 2022 employee engagement survey, 79 per cent of staff considered that the DMO respected different cultures (prior year: 82 per cent) and 81 per cent considered that the DMO was committed to creating a diverse and inclusive workplace (prior year: 83 per cent).

Social, community and human rights issues

The DMO has no social, community or human rights issues to report, which are relevant to understanding its business.

Health and Safety

The DMO is committed to complying with health and safety at work legislation. The DMO follows procedures and maintains policies that aim to achieve higher standards than the legal requirements. The DMO's main health and safety priority during the year has been responding to the COVID-19 pandemic. We have made our offices COVID-secure in line with government guidance by introducing various measures including homeworking for most staff, increased office cleaning, risk assessment of all staff returning to the office, COVID safety procedures for staff working in the office and segregation of office work stations.

Annually, the DMO undergoes an independent health and safety audit. There were no issues during 2022-2023.

Expenditure on consultancy

Expenditure on consultancy by the DMO in 2022-2023 was £64,000 (2021-2022: £48,000).

Sir Robert Stheeman
Chief Executive
3 July 2023


LEADENHALL MARKET

Parliamentary accountability and audit report

Regularity of expenditure

The expenditure and income of the DMO have been applied to the purposes intended by Parliament.

The above statement has been audited.

Remote contingent liabilities

Neither the DMO nor the DMA had any remote contingent liabilities as at 31 March 2023.

The above statement has been audited.

Certificate and report of the Comptroller and Auditor General

The certificate and report of the Comptroller and Auditor General for each of the DMO and the DMA can be found preceding the accounts on page 71 to 74 and page 97 to 100 respectively.

Fees and charges

This analysis of fees and charges received by the DMO is provided as specified by the FReM and not for the disclosure requirements of IFRS 8 Operating Segments.

Table 16: Fees and charges

	CRND £000	PWLB £000	Gilt purchase and sale service £000
Full cost	486	1,436	303
Income	(469)	(2,459)	(194)
Deficit / (surplus)	17	(1,023)	109

Financial objective and performance:

- **CRND:** To invest and manage certain public funds and charge, where statute permits, an administrative cost calculated on a full-cost recovery basis. CRND also carries out other miscellaneous statutory functions for which there is no provision for recovering costs. This objective was achieved in full.
- **PWLB:** To advance loans, primarily to local authorities, at a fee rate that is set by statute. This objective was achieved in full.
- **Gilt purchase and sale service:** To operate a gilt purchase and sale service for retail investors in the secondary market and charge the appropriate transactional cost as defined by statute. This objective was achieved in full.

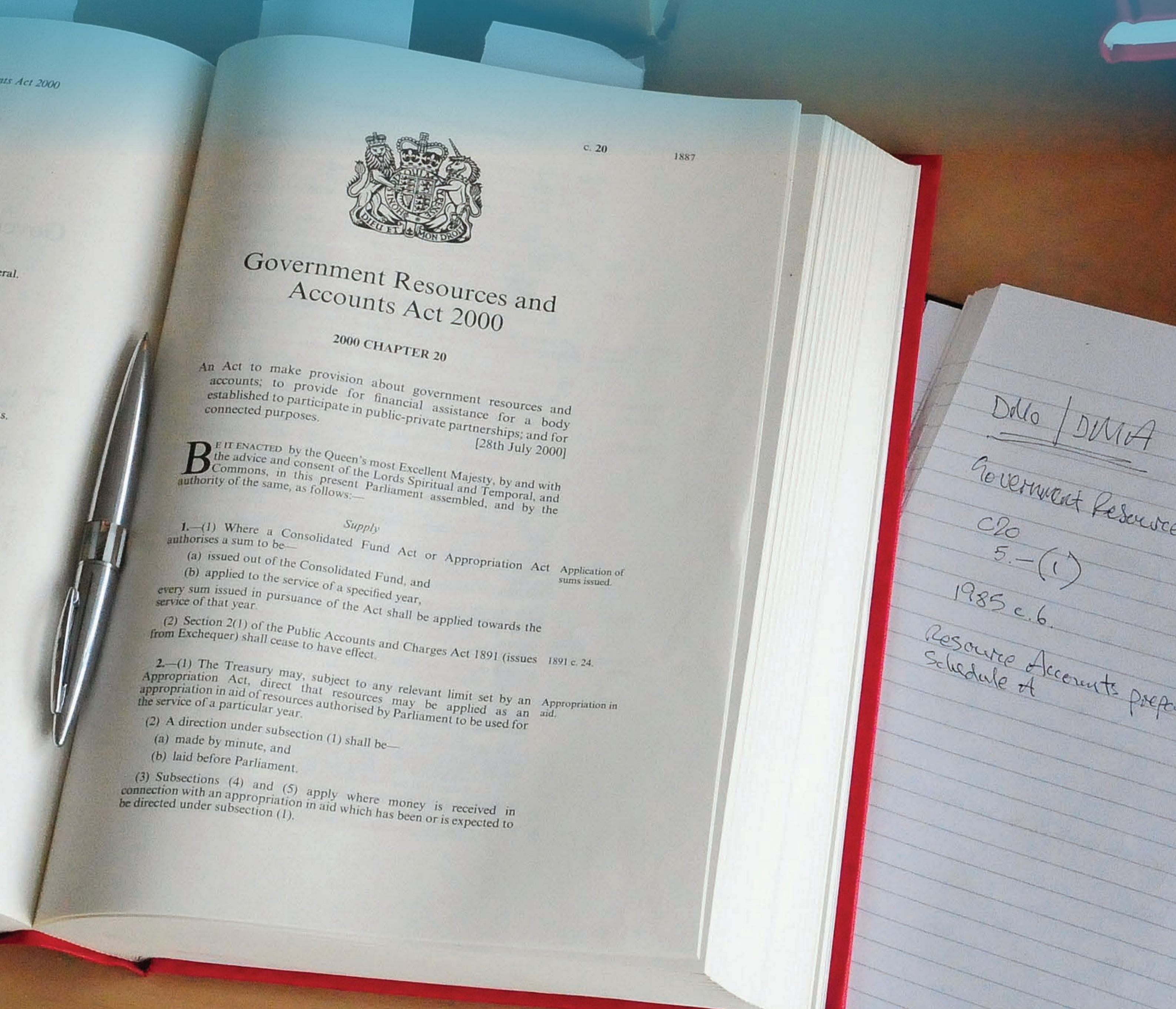
The DMA received no material fees or charges during the year.

(The above section on fees and charges has been audited.)

Sir Robert Stheeman
Chief Executive
3 July 2023

Accounts of the United Kingdom Debt Management Office

Year ended 31 March 2023



The certificate and report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Debt Management Office for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Debt Management Office's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Debt Management Office's affairs as at 31 March 2023 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Debt Management Office in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Debt Management Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Debt Management Office's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Debt Management Office is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration Report and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Debt Management Office and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Debt Management Office or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or the parts of the Remuneration Report and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Debt Management Office from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration Report and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Debt Management Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Debt Management Office will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Debt Management Office's accounting policies.
- inquired of management, the Debt Management Office's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Debt Management Office's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Debt Management Office's controls relating to the Debt Management Office's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, Debt Management Office's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Debt Management Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Debt Management Office's framework of authority and other legal and regulatory frameworks in which the Debt Management Office operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Debt Management Office. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- general expenditure testing which included consideration of the regularity of expenditure; and
- remuneration report testing, including consideration of whether pay increases and pay awards were in line with Cabinet Office controls.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
6 July 2023

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


DIEU ET MON DROIT
United Kingdom
Debt
Management
Office

Statement of comprehensive net expenditure

For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Staff costs	2	13,590	13,509
Purchase of goods and services	3	5,226	5,772
Issuance and transaction costs	4	6,088	7,783
Depreciation and impairment charges	6	1,644	912
Provision movement	11	(87)	(307)
Total operating expenditure		**26,461**	**27,669**
Operating income	5	(4,789)	(4,587)
Net operating expenditure		**21,672**	**23,082**
Finance expenditure		71	-
Net expenditure		**21,743**	**23,082**

All income and expenditure are derived from continuing operations.

The notes on page 80 to 93 form part of these accounts.

Statement of financial position

As at 31 March 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	6(i)	7,344	2,558
Intangible assets	6(ii)	5,414	5,809
Trade and other receivables	8	57	209
Total non-current assets		**12,815**	**8,576**
Current assets			
Trade and other receivables	8	1,276	1,008
Cash and cash equivalents		1	1
Total current assets		**1,277**	**1,009**
Total assets		**14,092**	**9,585**
Current liabilities			
Trade payables and other liabilities	9	(4,496)	(3,458)
Total current liabilities		**(4,496)**	**(3,458)**
Total assets less current liabilities		**9,596**	**6,127**
Non-current liabilities			
Trade payables and other liabilities	9	-	(1,666)
Provisions for liabilities	9	(517)	(604)
Contract liabilities	9	(15,671)	(9,724)
Total non-current liabilities		**(16,188)**	**(11,994)**
Total net liabilities		**(6,592)**	**(5,867)**
Taxpayers' equity			
General fund		**(6,592)**	**(5,867)**

The notes on page 80 to 93 form part of these accounts.

Sir Robert Stheeman
Chief Executive
3 July 2023

Statement of cash flows

For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Cash outflow from operating activities			
Net operating cost		**(21,672)**	**(23,082)**
Adjustment for non-cash transactions			
Depreciation and amortisation of fixed assets	6	1,644	898
Impairment of fixed assets	6(i)	-	14
Provision movement in year	11	(87)	(307)
Auditors' fee	3	70	60
		1,627	**665**
Adjustment for movements in working capital other than cash			
(Increase) / Decrease in receivables		(116)	178
(Decrease) / Increase in current payables		14	(401)
Increase / (Decrease) in contract liabilities		320	758
Increase in rent accrual		-	904
Plus movement in payables relating to items not passing through the statement of comprehensive net expenditure	9	17	90
		235	**1,529**
Net cash outflow from operating activities		**(19,810)**	**(20,888)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(377)
Purchase of intangible assets		(137)	(75)
Net cash outflow from investing activities		**(137)**	**(452)**
Cash flows from financing activities			
Cash flow from leases		(1,001)	-
Funding from HM Treasury		20,948	21,340
Net financing		**19,947**	**21,340**
Cash and cash equivalents at the beginning of the year		**1**	**1**
Cash and cash equivalents at the end of the year		**1**	**1**

The notes on page 80 to 93 form part of these accounts.

Statement of changes in taxpayers' equity

For the year ended 31 March 2023

	Note	General Fund £000
Balance at 1 April 2021		**(4,185)**
Funding from HM Treasury		21,340
Comprehensive net expenditure for the year		(23,082)
Non-cash auditors' remuneration	3	60
Balance at 31 March 2022		**(5,867)**
Funding from HM Treasury		20,948
Comprehensive net expenditure for the year		(21,743)
Non-cash auditors' remuneration	3	70
Balance at 31 March 2023		**(6,592)**

The notes on page 80 to 93 form part of these accounts.

Notes to the accounts

For the year ended 31 March 2023

1 Statement of accounting policies

(i) Basis of preparation

The accounts have been prepared in accordance with the 2022–2023 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. The accounts have been prepared on an accruals basis under the historical cost convention and have been prepared in accordance with the Accounts Direction given by HM Treasury on page 94, under the legislative authority of the Government Resources and Accounts Act 2000.

Where the FReM permits a choice of accounting policy, the most appropriate policy for providing a true and fair view has been selected. The DMO's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

Certain IFRS have been issued or revised, but are not yet effective. Those issues or revisions expected to be relevant in subsequent reporting periods are:

- IAS 1 Presentation of Financial Statements:

  This has been revised as part of the IASB's 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)'. Application is required for reporting periods beginning on or after 1 January 2024. The DMO expects to apply these revisions, which the IASB has delayed by two years, and which affect only the presentation of liabilities in the statement of financial position and relate to a clarification of the classification of current and non-current liabilities, are not expected to materially alter the presentation of the financial statements of the DMO.

  This has been revised as part of the IASB's 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)'. Application is required for reporting periods beginning on or after 1 January 2023. The DMO expects to apply these revisions to IAS 1 in 2023-2024. The application of these revisions, which help preparers to decide which accounting policies to disclose in their financial statements, are not expected to materially alter the presentation of the financial statements of the DMO.

  This has been revised as part of the IASB's 'Non-current Liabilities with Covenants (Amendments to IAS 1)'. Application is required for reporting periods beginning on or after 1 January 2024. The DMO expects to apply these revisions to IAS 1 in 2024-2025. The application of these revisions, which clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability, are not expected to materially alter the presentation of the financial statements of the DMO.

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which has been revised as part of the IASB's 'Definition of Accounting Estimates (Amendments to IAS 8)'. Application is required for reporting periods beginning on or after 1 January 2023. The DMO expects to apply these revisions to IAS 8 in 2023-2024. The application of these revisions, which help entities to distinguish between accounting policies and accounting estimates, are not expected to materially alter the presentation of the financial statements of the DMO.

(ii) Other comprehensive expenditure

No statement of other comprehensive expenditure has been prepared as all income and expenditure is reported in the statement of comprehensive net expenditure.

(iii) Operating expenditure

Staff costs include salaries, pension costs and national insurance costs incurred by the DMO, and the cost of agency staff. Purchase of goods and services includes all external expenditure other than expenditure classified as issuance and transaction costs. Issuance and transaction costs are financial market-related costs. They include banking, settlement, brokerage, clearing, custodial, and Computershare gilt purchase and sale costs.

(iv) Operating income

Operating income is analysed between administration and programme income in accordance with the definitions in the Consolidated Budgeting Guidance 2022-2023.

Operating income is recognised by the following criteria:

- cost recoveries on a full-cost basis for services provided to external clients;
- recovery of the direct costs when acting as an agent for the National Loans Fund; and
- fees set by statute and received from PWLB borrowers in so far as it relates to performance obligations of the DMO that have been delivered in the reporting period.

Full cost recovery income is charged on the basis of staff-time and all direct external costs incurred for a given service, plus an apportioned share of overheads such as accommodation and IT infrastructure. This income is charged for an agreed annual activity.

The DMO applies IFRS 15 Revenue from Contracts with Customers which requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The DMO's income typically relates to services provided in the period to which the income is received or charged, so the application of IFRS 15 has no effect on income recognised for a given period. The only significant exception is PWLB fee income.

With respect to the treatment of PWLB fee income under IFRS 15, in providing lending services to PWLB borrowers, the DMO is considered to be the agent of HM Treasury. In this way, HM Treasury, rather than the PWLB borrowers, are deemed to be the customer of the DMO although the relevant consideration is the fee paid to the DMO by the PWLB borrowers.

Fees are paid by PWLB borrowers on initial agreement of each loan and the fee value is determined by reference to the loan value and type. Except for some loans with very long maturities, most PWLB fee income for each loan is recognised in the period in which the loan is issued. With respect to services provided to HM Treasury, the remainder of the fee income on each loan is considered to relate to subsequent management of the loan by the DMO, comprising activities such as reconciliation of interest repayments, and maintaining appropriate computer systems to monitor the loan repayment as part of a portfolio of similar loans. Such income is reported as a contract liability representing outstanding performance obligations for which payment has been received.

The proportion of loan fee income deferred for recognition in years subsequent to the year of issue varies according to the duration of the loan and is spread evenly over the years to maturity such that an equal portion is recognised each year. This reflects the DMO's estimate of the transfer of services over the life of the loan.

The proportion of fee income recognised in the period of issue relative to fee income recognised in each subsequent period to maturity is based on the DMO's assessment of the relative effort based on the average annual issuance of new loans and the entire portfolio of open loans.

The proportion of the fee associated to each loan that is expected to be recognised in future years have not been increased to reflect inflation. While the DMO will be exposed to inflation-driven cost pressures over the period of the loans, technology-driven efficiency improvements have tended to negate the most significant effects of inflation on the running costs of delivering the services to HM Treasury.

Similarly, the DMO does not consider that there is a significant financing component to the contract such that the effects should be presented separately. This is because the DMO considers that HM Treasury would not pay a materially different amount for future performance obligations if they were sold as stand-alone services at the time of service delivery.

The PWLB lending fee rate is determined by HM Treasury. The last inflation-driven increase in PWLB lending fees was 30 years ago. The performance obligations of the DMO to HM Treasury with respect to a single loan are considered to be satisfied when the loan matures. If a loan is repaid early, then all residual fee income associated with that loan that has not yet been recognised is recognised in the period of cancellation.

Future changes to estimates of the potential effect of inflation on the annual cost of providing PWLB services may have a significant effect on the valuation of the contract liability for future PWLB performance obligations. An assumption around increased costs would not influence the total fee receivable, but could change assumptions about the rate at which the DMO would expect to recognise income over the life of each loan. By way of illustration, had a 2 per cent annual increase been applied to the base costs for delivering the service without any assumption of moderating efficiency savings, the total PWLB contract liability would increase from £10.5 million to £12.5 million (an increase of 19 per cent). PWLB income recognised in 2022-2023 would not change materially.

Management estimates of the relative resource effort required to deliver PWLB services with respect to each new loan in its year of initial execution and in each subsequent year is also influential in determining the value of the contract liability. By way of illustration, a 25 per cent increase in the estimate of relative resource effort to manage each trade in the year of agreement compared to each subsequent year of its total duration (from 45:1 to 56:1) would decrease the PWLB contract liability from £10.5 million to £9.3 million (a decrease of 12 per cent). PWLB income recognised in 2022-2023 would not change materially. Conversely, a 25 per cent decrease in the estimate of relative resource effort to manage each trade in the year of agreement compared to each subsequent year of its total duration (from 45:1 to 34:1) would increase the PWLB contract liability from £10.5 million to £12.1 million (an increase of 15 per cent), while PWLB income recognised in 2022-2023 would not change materially.

(v) Non-current assets

Assets acquired for ongoing use with a purchase cost in excess of £5,000 are capitalised. Profits or losses arising on the disposal of fixed assets are calculated by reference to the carrying value of the asset.

Any property, plant and equipment or intangible assets that are currently in-use, for which the value is high and / or the useful economic life is long, are revalued. Currently, the DMO has no assets that meet these criteria.

Software licence purchases and internally developed software that meet the capitalisation criteria are classified as intangible assets.

Where an asset is in the process of being developed, the capitalised costs are classified as assets under construction.

(vi) Depreciation and amortisation

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 fixed assets have been estimated as follows upon initial recognition and are reviewed annually:

- Information technology — between 3 and 8 years
- Plant and machinery — between 5 and 16 years
- Furniture and fittings — 15 years
- Software licences — between 4 and 15 years (licence duration where relevant)
- Internally generated software — between 3 and 20 years

(vii) Impairment of non-current assets

In accordance with IAS 36 Impairment of Assets, impairments represent a permanent reduction in the service potential of non-current assets. All assets are assessed annually for indications of impairments. Where an impairment is identified it is recognised in the statement of comprehensive net expenditure to the extent that it cannot be offset against the revaluation reserve. In the event of a reversal of a previous impairment charge, the amount is recognised in the statement of comprehensive net expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in this statement. The remaining amount would be recognised in the revaluation reserve.

(viii) Notional charges

Certain costs are charged on a notional basis and included in the accounts. Notional costs are charged to the statement of comprehensive net expenditure and recorded as a movement on the general fund. Notional costs comprise auditors' remuneration and lease interest.

(ix) Value added tax

Value added tax (VAT) on purchases is charged to the statement of comprehensive net expenditure, to the extent that it is irrecoverable and 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. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

(x) Foreign exchange

Transactions with external suppliers that are denominated in foreign currencies are translated into sterling at the rates of exchange applicable when the liability is paid.

(xi) Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and of the Civil Service and Other Pension Scheme (CSOPS), known as alpha, which are described in the remuneration report and staff report. The defined benefit schemes are unfunded. The DMO recognises as an administration cost the monthly charges made by the PCSPS to contribute to the schemes. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the DMO recognises the contributions payable for the year.

(xii) Employee benefits

The DMO has provided for the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. The measurement of this expected cost, which is in accordance with IAS 19 Staff Benefits, is based on salaries and employers' contributions in respect of national insurance liabilities.

(xiii) Leases

IFRS 16 leases has been applied from 1 April 2022. The DMO has recognised right-of-use assets and a lease liability for all leases with a term greater than 12 months, except those for low value assets. The lease liability represents the present value of the outstanding lease payments, while the right-of-use asset represents the DMO's authority to utilise the underlying leased asset over the agreed lease term. Lease liabilities are measured at the present value of the lease payments, using an incremental borrowing rate at the lease commencement date. This gives rise to a lease interest which is recorded in the Statement of Comprehensive Net Expenditure as Finance expenditure. Right of use assets are measured at cost, which comprises the initial measurement of the lease liability, lease payments made at or before the commencement date and any initial direct costs incurred. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term. For short-term leases or leases for which the underlying asset is of low value, the DMO recognises the lease payments associated with those leases as an expense on a straight-line basis.

(xiv) Financial assets

On initial recognition, financial assets (comprising trade and other receivables, and cash and cash equivalents) are classified as loans and receivables. Loans and receivables are assets with fixed or determinable repayments that are not quoted in an active market. Loans and receivables are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method. De-recognition of financial assets only occurs when the obligation is settled.

(xv) Financial liabilities

On initial recognition, financial liabilities (comprising trade payables and other liabilities) are classified as financial liabilities held at amortised cost. These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless stated otherwise. Financial liabilities are derecognised when the obligation is discharged.

2 Staff related costs

	2023 £000	2022 £000
Permanent staff costs	10,717	9,941
Temporary staff costs	2,873	3,568
Total staff costs	**13,590**	**13,509**

For 2022-2023 there were no exit costs for permanent staff members. For 2021-2022 permanent staff costs reported included exit costs for one member of staff. Further information is included in the remuneration report and staff report on page 58 to 66.

3 Purchase of goods and services

	2023 £000	2022 £000
Business and information services	1,901	1,758
IT & telecommunications	1,531	1,557
Accommodation rent	244	1,044
Other accommodation related costs	840	767
Legal services	238	215
Auditor's fee	70	60
Training	27	52
Printing & stationery	34	50
Consultancy	64	48
Recruitment	56	36
Travel, subsistence & hospitality	38	9
Other costs	183	176
Total purchase costs	**5,226**	**5,772**

£70,000 (2021-2022: £60,000) of the external auditors' fee relates to audit work.

The reduction in accommodation rent was brought about by the adoption of IFRS 16 Leases on 1 April 2022. Further information on the impact of adopting IFRS 16 Leases is includes in note 7.

4 Issuance and transaction costs

Issuance and transaction costs arise from DMA, CRND and PWLB transaction costs, gilt issuance as an agent for the National Loans Fund, and Computershare gilt purchase and sale service costs. These costs are classified as programme costs.

	2023 £000	2022 £000
DMA, CRND and PWLB transaction costs		
Settlement and custodial charges	4,633	6,250
Brokerage	701	797
	5,334	**7,047**
Gilt issuance costs		
Stock Exchange listing fees	711	695
Gilt purchase and sale service costs	43	41
	6,088	**7,783**

5 Operating income

	2023 £000	2022 £000
Administration income		
Revenue from contracts with customers		
Fees and charges to PWLB customers	2,459	2,222
Fees and charges to CRND clients	469	461
Rentals and other accommodation related income - internal to government	5	22
Funding for Lending Scheme - Bank of England	-	1
	2,933	**2,706**
Other operating income		
Other income	-	4
	2,933	**2,710**
Programme income		
Revenue from contracts with customers		
Recharges to the National Loans Fund	1,662	1,699
Gilt purchase and sale service commission	194	178
	1,856	**1,877**
Other operating income	-	-
	4,789	**4,587**

6 Non-current assets

(i) Property, plant and equipment

2022-2023	Buildings £000	Information Technology £000	Furniture and fittings £000	Plant and machinery £000	Total £000
Cost or valuation					
At 31 March 2022	-	2,164	2,192	11	4,367
Recognition of right-of-use lease asset upon adoption of IFRS 16	5,746	-	-	-	5,746
At 1 April 2022	5,746	2,164	2,192	11	10,113
Additions	169	-	-	-	169
Impairment	-	-	-	-	-
Disposals	-	-	(17)	-	(17)
At 31 March 2023	**5,915**	**2,164**	**2,175**	**11**	**10,265**
Depreciation					
At 1 April 2022	-	1,508	290	11	1,809
Charged in year	759	208	145	-	1,112
Disposals	-	-	-	-	-
At 31 March 2023	**759**	**1,716**	**435**	**11**	**2,921**
Net book value at 31 March 2023	**5,156**	**448**	**1,740**	**-**	**7,344**

2021-2022	Buildings £000	Information Technology £000	Furniture and fittings £000	Plant and machinery £000	Total £000
Cost or valuation					
At 1 April 2021	-	1,910	2,171	11	4,092
Additions	-	268	21	-	289
Impairment	-	(14)	-	-	(14)
Disposals	-	-	-	-	-
At 31 March 2022	**-**	**2,164**	**2,192**	**11**	**4,367**
Depreciation					
At 1 April 2021	-	1,281	144	11	1,436
Charged in year	-	227	146	-	373
Disposals	-	-	-	-	-
At 31 March 2022	**-**	**1,508**	**290**	**11**	**1,809**
Net book value at 31 March 2022	**-**	**656**	**1,902**	**-**	**2,558**

Buildings are right-of-use assets financed by leases. All other property, plant and equipment assets are owned by DMO.

(ii) Intangible assets

2022-2023	Software licences £000	Internally generated software £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2022	6,646	3,201	-	9,847
Additions	-	-	137	137
Disposals	-	-	-	-
At 31 March 2023	**6,646**	**3,201**	**137**	**9,984**
Amortisation				
At 1 April 2022	1,518	2,520	-	4,038
Charged in year	433	99	-	532
Disposals	-	-	-	-
At 31 March 2023	**1,951**	**2,619**	**-**	**4,570**
Net book value at 31 March 2023	**4,695**	**582**	**137**	**5,414**

2021-2022	Software licences £000	Internally generated software £000	Assets under construction £000	Total £000
Cost or valuation				
At 1 April 2021	6,773	3,128	-	9,901
Additions	-	73	-	73
Disposals	(127)	-	-	(127)
At 31 March 2022	**6,646**	**3,201**	**-**	**9,847**
Amortisation				
At 1 April 2021	1,212	2,428	-	3,640
Charged in year	433	92	-	525
Disposals	(127)	-	-	(127)
At 31 March 2022	**1,518**	**2,520**	**-**	**4,038**
Net book value at 31 March 2022	**5,128**	**681**	**-**	**5,809**

All intangible assets are owned by DMO.

7 Application of IFRS 16

The DMO adopted IFRS 16 on 1 April 2022. IFRS 16 Leases supersedes IAS 17 Leases. Upon this change in accounting policy, an aggregate lease liability of £7.4 million was established (of which £6.7 million was due after more than one year) representing future lease payments. Right-of-use assets of £5.7 million (representing the DMO's authority to utilise and benefit from its leased assets) were also recognised upon first adoption of IFRS 16.

The accounting policy choice allowed under IFRS 16, which allows entities upon transition to restate prior periods, has been withdrawn by Financial Reporting Manual for application of the standard by government entities, and therefore prior year comparative figures have not been restated under IFRS 16.

A one-off adjustment to expense recognised in the Statement of Comprehensive Net Expenditure was not necessary upon first adoption because the difference in aggregate expense recognised by the adoption date under IFRS 16 was immaterial compared to IAS 17. This was largely due to the low implicit interest rate set by HM Treasury for IFRS 16 lease accounting in government, and, for the DMO's principal lease (for office accommodation), lease payments not commencing until after the adoption day (but during 2022-2023) due to a 25 month rent free period.

Total lease expense (comprising depreciation and lease interest) of £0.8 million was recognised in 2022-2023. In addition, £0.2 million of irrecoverable VAT on lease payments was recognised. This would previously have been included within accommodation rent payments. Accommodation rent payments of £1.0 million would have been recognised as expense in 2022-2023, had IAS 17 still been applicable.

8 Trade and other receivables

	2023 £000	2022 £000
Amounts falling due within one year		
Prepayments	952	875
Accrued income	75	129
Other receivables	249	4
	1,276	**1,008**
Amounts falling due after more than one year		
Prepayments	57	209
	1,333	**1,217**

9 Trade payables and other liabilities

	2023 £000	2022 £000
Amounts falling due within one year		
Taxation and social security	468	444
Accruals and trade payables	2,546	2,556
Contract liabilities	486	458
Lease liabilities	996	-
	4,496	**3,458**
Amounts falling due after more than one year		
Provisions for liabilities - note 11	517	604
Contract liabilities	10,016	9,724
Lease liabilities	5,655	-
Rent accrual	-	1,666
	16,188	**11,994**
	20,684	**15,452**

Reflected within the amounts falling due within one year is a decrease of £17,280 (2021-2022: decrease of £90,246) of capital expenditure payables and accruals, which is an adjustment to the movements in working capital recorded in the statement of cash flows.

10 Lease disclosures

IFRS 16 leases has been applied from 1 April 2022. The DMO has recognised right-of-use assets and a lease liability for all leases with a term greater than 12 months, except those for low value assets.

The DMO's right-of-use assets result from its leasing of buildings for use as office accommodation and data centres.

The carrying value of the DMO's right-of-use assets at the end of the reporting period, along with the value of additions and depreciation during 2022-2023 are reported in note 6.1.

The DMO's lease liability at the reporting date was £6,651,000. The lease liability represents the present value of the outstanding lease payments.

The DMO's highest value right-of-use asset relates to the lease for its office accommodation. This lease agreement terminates on 16 June 2035. There is a break clause option to terminate the lease five years early on 16 June 2030. The earlier date has been used to determine the value of the right-of-use asset and the lease liability on the basis that this represents the non-cancellable lease period and that it is not reasonably certain that DMO will maintain the lease to 16 June 2035. The break clause, for which 12 months notice must be given, will not be activated if the DMO determines that continuation of the lease continues to represent the best value option in 2029. If there was no lease break clause, the lease liability would be approximately 70% greater at the reporting date.

Maturity profile of lease liability

	2023 £000
Falling due	
Within one year	996
Between one and five years	3,740
Between five and ten years	1,915
	6,651

Other lease disclosures in relation to right-of-use assets

	2023 £000
Total cash outflow for leases	1,001
Interest expense on lease liabilities	71

Short-term leases and leases of low value assets

The DMO recognises the lease payments associated with those leases as an expense on a straight-line basis.

	2023 £000
Expense relating to short-term leases	44
Expense relating to leases of low-value assets	3

11 Provisions

	Dilapidations – old lease £000	Dilapidations – new lease £000	Settlement of claims £000	Total £000
Balance at 1 April 2021	**366**	**510**	**35**	**911**
Provided in the year	-	-	-	-
Provisions not required written back	(316)	-	-	(316)
Provisions utilised in the year	(50)	-	(35)	(85)
Change in discount rate	-	94	-	94
Balance at 31 March 2022	**-**	**604**	**-**	**604**
Provided in the year	-	-	-	-
Provisions not required written back	-	-	-	-
Provisions utilised in the year	-	-	-	-
Change in discount rate	-	(87)	-	(87)
Balance at 31 March 2023	**-**	**517**	**-**	**517**

12 Related party transactions

HM Treasury

The DMO is an executive agency of HM Treasury. HM Treasury is a related party.

During the year HM Treasury continued to provide several support services to the DMO, including purchase order processing, invoice processing and payment, payroll processing, some financial accounting services and physical and IT security. The total recharge paid by the DMO was £184,404 (2021-2022: £140,648).

In addition, the DMO has undertaken various transactions with HM Treasury in relation to the recharge of accommodation expenditure initially incurred by the DMO, and to the cost of providing various related services during 2022-2023.

HM Treasury has utilised floor space leased by the DMO under the terms of a Service Level Agreement (SLA) which was effective from 26 March 2021. The total recharge received by the DMO under the agreement was £9,500 (2021-2022: £6,598).

Commissioners for the Reduction of the National Debt

Commissioners for the Reduction of the National Debt (CRND) is an entity within the DMO that performs a fund management service for a small number of public sector clients. CRND client mandates are kept distinct from other DMO business. CRND client mandates require the bulk of the funds to be invested in gilts or with the DMA. The DMO received payment from Court Funds Investment Account and Northern Ireland Courts and Tribunals Service Investment Account for fund management services of £94,000 and £52,000 respectively (2021-2022: £94,000 and £52,000). For other funds managed by CRND for which a fee is charged, the DMO invoices the client department for the service, rather than transferring the fee from the fund itself.

PWLB lending facility

Although the powers, duties, assets and liabilities of the PWLB lending facility are owned by HM Treasury, the DMO administers this function on behalf of HM Treasury. In 2022-2023, DMO recognised income of £2,459,000 (2021-2022: £2,222,000) in respect of its administration of the PWLB lending facility.

Bank of England

The Bank of England provides the DMA with banking and settlement agency services, the costs of which are borne by the DMO.

Ministers and Advisory Board

During the year, no Minister or DMO Advisory Board member has undertaken any material transactions with the DMO.

Details of compensation for senior DMO staff and non-executive directors can be found in the Remuneration Report section of the Accountability Report.

13 Financial instruments

All cash requirements of the DMO are met through the Parliamentary Estimate process. In these circumstances, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the DMO's expected purchase and usage requirements.

Therefore, at 31 March 2023, the DMO had no material exposure to liquidity risk, credit risk, interest rate risk or currency risk.

All material assets and liabilities were denominated in sterling.

14 Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the Accounting Officer authorises the accounts for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There are no reportable events to disclose after the reporting period.

Accounts Direction given by the Treasury in accordance with section 7(1) and 7(2) of the Government Resources and Accounts Act 2000

1. The UK Debt Management Office ("the executive agency") shall prepare accounts for the year ended 31 March 2023 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual ("the FReM") and the FReM Addendum issued by HM Treasury which is in force for 2022-23.

2. The accounts shall be prepared in respect of the executive agency so as to:

   (a) give a true and fair view of the state of affairs as at 31 March 2023 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the executive agency for the financial year then ended; and

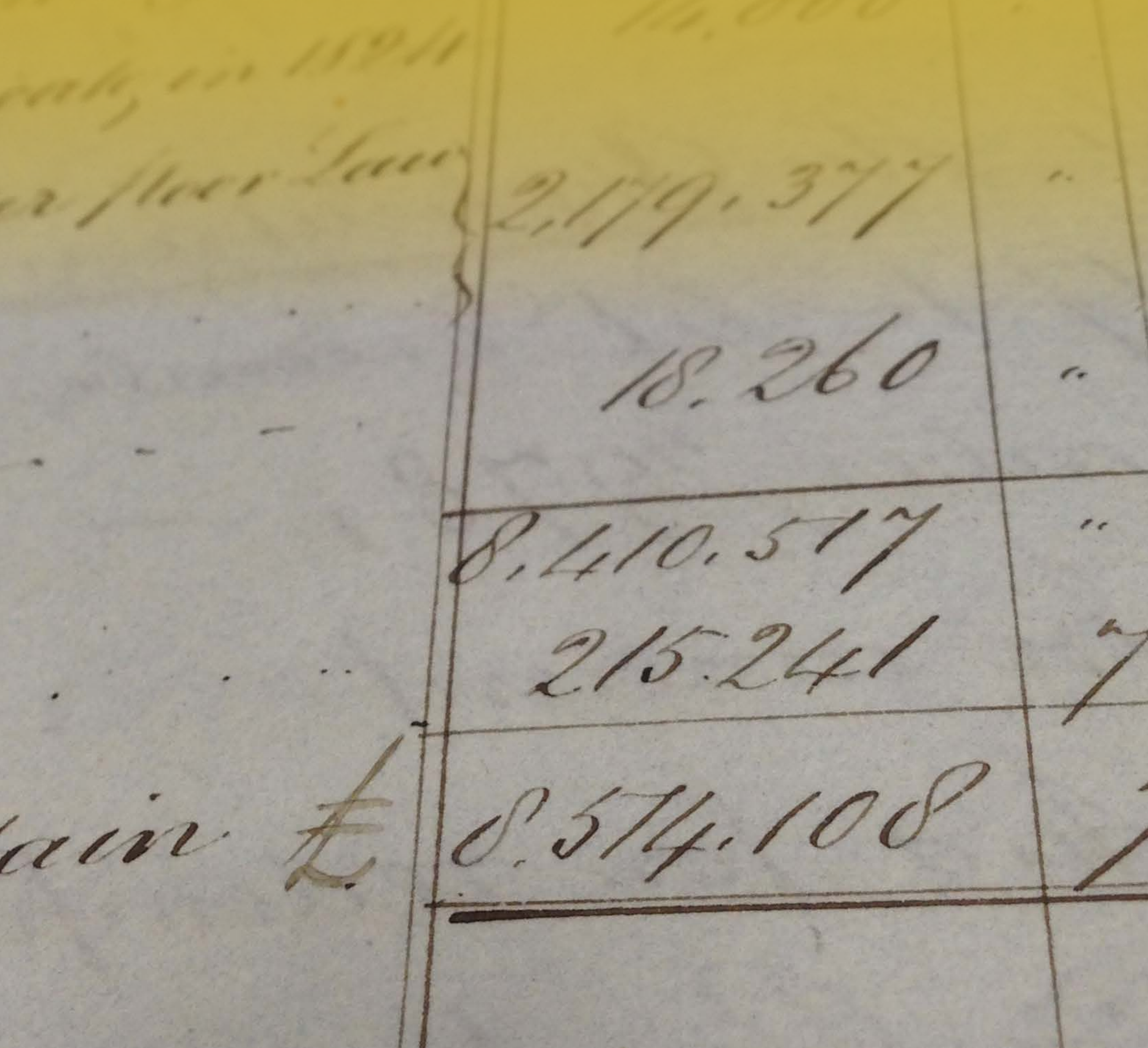
   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

3. Compliance with the requirements of the FReM 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 FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM 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 FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

Charlotte Goodrich
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
12 April 2023

Accounts of the Debt Management Account

Year ended 31 March 2023



The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Debt Management Account for the year ended 31 March 2023 under the National Loans Act 1968.

The financial statements comprise: the Debt Management Account's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in net funding by National Loans Fund for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Debt Management Account's affairs as at 31 March 2023 and its surplus for the year then ended; and
- have been properly prepared in accordance with the National Loans Act 1968 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Debt Management Account in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Debt Management Account's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Debt Management Account's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Debt Management Account is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the National Loans Act 1968;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Debt Management Account and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Debt Management Account or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Debt Management Account from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the National Loans Act 1968;
- ensuring that the annual report is prepared in accordance with HM Treasury directions made under the National Loans Act 1968; and
- assessing the Debt Management Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Debt Management Account will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Loans Act 1968.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Debt Management Account's accounting policies.
- inquired of management, the Debt Management Account's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Debt Management Account's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Debt Management Account's controls relating to the Debt Management Account's compliance with the National Loans Act 1968 and Managing Public Money;
- inquired of management, Debt Management Account's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Debt Management Account for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Debt Management Account's framework of authority and other legal and regulatory frameworks in which the Debt Management Account operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Debt Management Account. The key laws and regulations I considered in this context included the National Loans Act 1968 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I considered the Debt Management Account's financing remit and whether the issuance of Treasury bills in year is in line with this; and
- I considered whether the Debt Management Account has operated under the objectives per Section 1(2) of Schedule 5A of the National Loans Act 1968.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
6 July 2023

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


TELEPHONE
Trafalgar
Square

Statement of comprehensive income

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Interest income	2	6,819	4,128
Interest expense	3	(3,544)	(213)
Net interest income		**3,275**	**3,915**
Other gains and losses	4	(5)	-
Fees	5	-	-
Surplus for the year		**3,270**	**3,915**

All income and expenditure arose from continuing operations.

The notes on page 106 to 135 are an integral part of these accounts.

Statement of financial position

As at 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Cash and balances at the Bank of England		3,309	3,904
Other assets	10	2,469	3
Derivative financial instruments	8	-	-
Loans and advances to financial counterparties	6	29,525	70,206
Securities held for trading	7	3,694	2,254
Investment securities:			
UK government gilts for use as collateral subject to sale and repurchase agreements		11,487	32,344
UK government gilts for use as collateral not pledged		70,155	21,516
		81,642	**53,860**
Other UK government gilts		86,004	58,016
	9	**167,646**	**111,876**
Total assets before deposit at National Loans Fund		**206,643**	**188,243**
Deposit at National Loans Fund		20,654	30,302
Total assets		**227,297**	**218,545**
Liabilities			
Deposits by financial counterparties	11	12,408	34,367
Due to government customers	12	88,605	73,143
Other liabilities	14	94	150
Treasury bills in issue	13	63,169	36,130
Total liabilities before funding by the National Loans Fund		**164,276**	**143,790**
Advance from National Loans Fund		12	15,016
Income and expenditure account		63,009	59,739
Total funding by National Loans Fund		**63,021**	**74,755**
Total liabilities		**227,297**	**218,545**

The notes on page 106 to 135 are an integral part of these accounts.

Sir Robert Stheeman
Chief Executive
3 July 2023

Statement of cash flows

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Net cash inflow from operating activities	15	**54,857**	**19,043**
Investing activities			
Interest received on investment securities		4,890	4,518
Sales of investment securities		2,370	13,391
Purchases of investment securities		(57,762)	(75)
Net cash (used in) / from investing activities		**(50,502)**	**17,834**
Financing activities			
Interest received on deposit at National Loans Fund		552	33
Interest paid on advance from National Loans Fund		(214)	(52)
Increase in net funding by National Loans Fund		322,810	294,398
Decrease in net funding by National Loans Fund		(328,098)	(330,485)
Net cash used in financing activities		**(4,950)**	**(36,106)**
(Decrease) / increase in cash		**(595)**	**771**
Cash at the beginning of the year		**3,904**	**3,133**
Cash at the end of the year		**3,309**	**3,904**

The notes on page 106 to 135 are an integral part of these accounts.

Statement of changes in net funding by National Loans Fund

For the year ended 31 March 2023

	Deposit at National Loans Fund £m	Advance from National Loans Fund £m	Income and expenditure account £m	Total funding by National Loans Fund £m	Net funding /(lending) £m
At 31 March 2021	**24,199**	**45,004**	**55,824**	**100,828**	**76,629**
Surplus for year	-	-	3,915	3,915	3,915
Change in advance from National Loans Fund	-	(29,988)	-	(29,988)	(29,988)
Change in deposit at National Loans Fund	6,103	-	-	-	(6,103)
At 31 March 2022	**30,302**	**15,016**	**59,739**	**74,755**	**44,453**
Surplus for year	-	-	3,270	3,270	3,270
Change in advance from National Loans Fund	-	(15,004)	-	(15,004)	(15,004)
Change in deposit at National Loans Fund	(9,648)	-	-	-	9,648
At 31 March 2023	**20,654**	**12**	**63,009**	**63,021**	**42,367**

Each day, the DMA deposits any surplus cash with the Bank of England. The DMA receives interest on this deposit at the Bank Rate.

A DMA surplus or deficit is an asset or liability respectively of the National Loans Fund. HM Treasury may pay from the DMA to the National Loans Fund all or part of any DMA surplus. In the case of a retained deficit, HM Treasury may pay all or part of the deficit to the DMA from the National Loans Fund.

The notes on page 106 to 135 are an integral part of these accounts.

Notes to the accounts

For the year ended 31 March 2023

1 Accounting policies

(i) Basis of preparation

The accounts have been prepared in accordance with the Accounts Direction given by HM Treasury. The accounts are consistent with relevant requirements of the Government Financial Reporting Manual and are in accordance with International Financial Reporting Standards (IFRS) in so far as they are appropriate for the DMA. The accounts have been prepared under the historical cost convention, except for re-measurement at fair value of financial assets held for trading, and all derivative contracts. In particular, the following standards have been applied:

- IAS 1 Presentation of Financial Statements (revised 2007)
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events After the Reporting Period
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 24 Related Party Disclosures
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IFRS 15 Revenue from Contracts with Customers

Certain IFRS have been issued or revised, but are not yet effective. Those issues or revisions expected to be relevant in subsequent reporting periods are:

- IAS 1 Presentation of Financial Statements:

  This has been revised as part of the IASB's 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)'. Application is required for reporting periods beginning on or after 1 January 2024. The DMA expects to apply these revisions, which the IASB has delayed by two years, and which affect only the presentation of liabilities in the statement of financial position and relate to a clarification of the classification of current and non-current liabilities, are not expected to materially alter the presentation of the financial statements of the DMA.

  This has been revised as part of the IASB's 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)'. Application is required for reporting periods beginning on or after 1 January 2023. The DMA expects to apply these revisions to IAS 1 in 2023-2024. The application of these revisions, which help preparers to decide which accounting policies to disclose in their financial statements, are not expected to materially alter the presentation of the financial statements of the DMA.

This has been revised as part of the IASB's 'Non-current Liabilities with Covenants (Amendments to IAS 1)'. Application is required for reporting periods beginning on or after 1 January 2024. The DMA expects to apply these revisions to IAS 1 in 2024-2025. The application of these revisions, which clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability, are not expected to materially alter the presentation of the financial statements of the DMA.

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which has been revised as part of the IASB's 'Definition of Accounting Estimates (Amendments to IAS 8)'. Application is required for reporting periods beginning or after 1 January 2023. The DMA expects to apply these revisions to IAS 8 in 2023-2024. The application of these revisions, which help entities to distinguish between accounting policies and accounting estimates, are not expected to materially alter the presentation of the financial statements of the DMA.

A separate income statement, as required by the accounts direction, has not been presented as the content would be identical to the statement of comprehensive income. A statement of comprehensive income is required by IAS 1.

(ii) Financial assets

During the year, the DMA has invested in financial assets which have been recognised and measured according to the following categories: financial assets held at fair value through profit or loss, financial assets held at amortised cost. These categories are described in more detail below.

On initial recognition, the DMA classifies financial assets according to the categories above. Financial assets are derecognised when the rights to receive cash flows from them have expired or where the DMA has transferred substantially all the risks and rewards of ownership. Loaned securities are not derecognised.

In accordance with IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses, and changes in those expected credit losses, are continually assessed and valued at each reporting date. DMO management assess at the end of each reporting period whether there is any objective evidence that financial assets are materially impaired and hence whether any reduction in the carrying amount of these assets needs to be recognised. As directed by the FReM, the DMA does not assess its assets with any of: Government Exchequer Funds, the Bank of England or core central government departments, for impairments categorised as stage-1 (12 month expected credit losses) and stage-2 (lifetime expected credit losses) under IFRS 9. This is in accordance with the FReM's IFRS 9 adaptations, as recorded in its 'Interpretations and adaptations for the public sector context.' The results of this impairment review are detailed in Note 19.

(a) Financial assets held at fair value through profit or loss

Debt securities are classified as held for trading if they have been acquired principally for the purpose of selling in the short-term, or if they are part of a portfolio of identified financial instruments that are managed together and for which there is the intention of short-term profit-taking. These financial assets are recognised on trade date, when the DMA enters into contractual arrangements with counterparties to purchase securities, and are derecognised when the DMA enters into contractual arrangements to sell them or when they are redeemed. Following initial recognition, fair values are re-measured, and changes therein are recognised as other gains and losses.

The treatment of derivatives is described in section (iv).

(b) Financial assets held at amortised cost

Debt securities are classified as held at amortised cost if they have been acquired with the intention to hold the security to collect contractual cash flows of principal and interest only, rather than to sell the assets prior to their contractual maturity to realise changes in fair value. These financial assets are recognised on trade date, when the DMA enters into contractual arrangements with counterparties (primarily the National Loans Fund) to purchase securities.

Following initial recognition, debt securities are subsequently measured at amortised cost using the effective interest rate method.

Also included within this category are loans and advances and other assets. Loans and advances to financial counterparties comprise deposits and reverse sale and repurchase agreements, where the DMA purchases securities and agrees to sell them back at a specified time and price. Securities pledged to the DMA as collateral via reverse repos are not included on the statement of financial position. Other assets comprise amounts due from counterparties.

These assets are recognised at settlement date. If the transaction is regular way (where a transaction settles within a timeframe established by convention in the market) then no change in fair value is recognised between trade date and settlement date. If the transaction is non-regular way, a derivative is recognised at trade date. Both regular way and non-regular way transactions are recognised from settlement date, and are derecognised when borrowers repay their obligations. Following recognition as loans and receivables such assets are subsequently measured at amortised cost using the effective interest rate method.

The fair value of financial assets and liabilities measured at amortised cost is not disclosed where the carrying value is a reasonable approximation of the fair value due to these assets and liabilities being held only for the short-term.

(iii) Financial liabilities

The DMA classifies financial liabilities, on initial recognition, in the following categories: financial liabilities held at fair value through profit or loss, and financial liabilities held at amortised cost. These two categories of liability held by the DMA are described in more detail below.

All financial liabilities are recognised initially at fair value. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

(a) Financial liabilities held at fair value through profit or loss

This category comprises derivatives, the treatment of which is described in section (iv).

(b) Financial liabilities held at amortised cost

Following initial recognition, deposits by financial counterparties, amounts due to government customers, and Treasury bills in issue are measured at amortised cost using the effective interest rate method. Deposits by financial counterparties include sale and repurchase agreements, where the DMA sells securities and agrees to buy them back at a specified time and price. Securities that are pledged by the DMA as collateral via sale and repurchase agreements remain on the statement of financial position.

Deposits by financial counterparties and amounts due to government customers are recognised on settlement date. If the transaction is regular way (where a transaction settles within a timeframe established by convention in the market) then no change in fair value is recognised between trade date and settlement date. If the transaction is non-regular way, a derivative is recognised at trade date. Both regular way and non-regular way transactions are recognised from settlement date, and are derecognised when obligations are repaid.

Treasury bills in issue are recognised on trade date, when the DMA enters into contractual arrangements with counterparties to sell securities, and are derecognised when redeemed.

(iv) Derivatives

The DMA may enter into forward foreign exchange contracts, forward starting sale and repurchase agreements, forward starting reverse sale and repurchase agreements, and forward starting deposits.

Forward foreign exchange contracts are used to hedge the risk arising from movements in foreign exchange rates.

Forward starting sale and repurchase agreements, reverse sale and repurchase agreements, and deposits are used as part of the DMO's cash management operations.

Derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative.

All derivatives are classified as held at fair value through profit or loss. They are initially measured at fair value when the DMA enters into contractual arrangements with counterparties and are subsequently re-measured at fair value. All changes in the fair values of derivatives are recognised in the statement of comprehensive income as they arise. These changes are reported as other gains and losses except where derivatives are managed in conjunction with foreign currency denominated sale and repurchase agreements, in which case the changes are reported in interest income within reverse sale and repurchase agreements.

The DMA does not apply hedge accounting.

(v) Determination of fair value

The fair value of a financial instrument on initial recognition is normally the transaction price.

Following initial recognition, the fair values of financial instruments that are quoted in active markets are based on mid prices for assets and liabilities. Such instruments are classified as level 1 in the fair value hierarchy defined by IFRS 7.

When active market prices for specific instruments are not available, fair values are determined by using valuation techniques that refer to relevant observable market data. Such instruments are classified as level 2 in the fair value hierarchy defined by IFRS 7.

If the fair value of a financial asset becomes negative, it is recorded as a financial liability until its fair value becomes positive.

(vi) Offsetting financial assets and financial liabilities

Financial assets and liabilities (including derivatives) are off-set and the net amount reported in the statement of financial position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. When the DMA holds Treasury bills that it has issued, no financial asset or liability is disclosed, as no external transaction has occurred, so neither a financial asset nor liability exists.

(vii) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in interest income and interest expense in the statement of comprehensive income using the effective interest rate method of allocating interest over the relevant period. Interest income and expense is recognised from settlement date.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the instrument. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument. The calculation includes all amounts paid or received that are an integral part of the effective interest rate, such as premiums or discounts on acquisition or issue.

(viii) Other gains and losses

Other gains and losses includes changes in the fair value of financial instruments measured at fair value through profit or loss, (excluding interest income on securities held for trading), and gains or losses realised on the disposal of financial instruments classified as held at amortised cost.

(ix) Transaction costs

Transaction costs are paid and accounted for by the DMO.

(x) Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities are retranslated into sterling at the rates prevailing at the end of the reporting period.

Forward foreign exchange contracts are used to hedge the risk arising from movements in foreign exchange rates. These derivatives are accounted for at sterling fair value using the rates prevailing at the end of the reporting period.

Exchange differences arising on settlement, and those arising on retranslation, are recognised in interest income along with the interest income arising from the related reverse sale and repurchase agreement.

2 Interest income

	2023 £m	2022 £m
Investment securities:		
UK government gilts	5,267	3,925
Loans and advances to financial counterparties:		
Reverse sale and repurchase agreements	777	139
Deposits	117	11
	894	**150**
Securities held for trading:		
UK government gilts	5	-
Other securities	37	3
	42	**3**
Deposit at National Loans Fund	616	50
	6,819	**4,128**

3 Interest expense

	2023 £m	2022 £m
Deposits by financial counterparties:		
Sale and repurchase agreements	(340)	(8)
Deposits	(28)	(1)
	(368)	**(9)**
Due to government customers:		
Deposits	(1,811)	(115)
Treasury bills in issue	(1,156)	(25)
Advance from National Loans Fund	(209)	(64)
	(3,544)	**(213)**

4 Other gains and losses

	2023 £m	2022 £m
Change in the fair value of securities held for trading and held at year end:		
UK government gilts	(1)	-
Other securities	(4)	-
	(5)	**-**

5 Fees

The DMA incurred a fee expense of less than £1 million (2022: less than £1 million) due to the Bank of England lending to the DMA specific gilts purchased via the Asset Purchase Facility in return for other gillts of the same value.

6 Loans and advances to financial counterparties

	2023 £m	2022 £m
Reverse sale and repurchase agreements:		
Due in not more than 3 months	13,227	46,169
Due in more than 3 months but not more than 1 year	14,289	22,034
	27,516	**68,203**
Fixed term deposits:		
Due in not more than 3 months	2,009	2,003
	29,525	**70,206**

These assets are held at amortised cost in accordance with the accounting policy in Note 1.

Reverse sale and repurchase agreements are valued daily. The DMA returns collateral to the provider of collateral, or requests additional collateral, depending on whether the value of the collateral has risen or fallen.

7 Securities held for trading

	2023 £m	2022 £m
UK government gilts	12	13
Other securities	3,682	2,241
	3,694	**2,254**

Maturity analysis	2023 Nominal £m	2023 Fair value £m	2022 Nominal £m	2022 Fair value £m
Due within 1 year:				
In not more than 3 months	-	-	250	249
In more than 3 months but not more than 1 year	3,751	3,683	2,001	1,993
	3,751	**3,683**	**2,251**	**2,242**
Due after 1 year:				
In more than 1 year but not more than 5 years	4	4	3	4
In more than 5 years	7	7	7	8
	11	**11**	**10**	**12**
	3,762	**3,694**	**2,261**	**2,254**

These assets are held at fair value through profit or loss in accordance with the accounting policy in Note 1.

8 Derivative financial instruments

	2023 Asset £m	2023 Liability £m	2022 Asset £m	2022 Liability £m
Unsettled reverse sale and repurchase agreements	-	-	-	-
Unsettled sale and repurchase agreements	-	-	-	-

Maturity analysis	2023 Nominal £m	2023 Fair value £m	2022 Nominal £m	2022 Fair value £m
Due within 1 year:				
In not more than 3 months	85	-	1,125	-

These assets are held at fair value through profit or loss in accordance with the accounting policy in Note 1.

9 Investment securities

Maturity analysis	2023 Nominal £m	2023 Carrying value £m	2023 Fair value £m	2022 Nominal £m	2022 Carrying value £m	2022 Fair value £m
Due within 1 year:						
In not more than 3 months	-	-	-	-	-	-
In more than 3 months but not more than 1 year	4,618	4,597	4,552	2,261	2,356	2,376
	4,618	**4,597**	**4,552**	**2,261**	**2,356**	**2,376**
Due after 1 year:						
In more than 1 year but not more than 5 years	36,953	39,149	38,752	14,224	16,410	17,180
In more than 5 years	115,611	123,900	117,494	79,649	93,110	112,736
	152,564	**163,049**	**156,246**	**93,873**	**109,520**	**129,916**
	157,182	**167,646**	**160,798**	**96,134**	**111,876**	**132,292**

These assets are held at amortised cost in accordance with the accounting policy in Note 1.

10 Other assets

	2023 £m	2022 £m
Due from counterparties	2,469	3

These assets are held at amortised cost in accordance with the accounting policy in Note 1.

At 31 March 2023, other assets of £2,467 million related to unsettled Treasury Bill sales and £2 million related to other unsettled security sales. At 31 March 2022, other assets of £2 million related to interest receivable on deposits with financial counterparties, £1 million related to unsettled coupons receivable on repo collateral and less than £1 million related to unsettled security sales.

All amounts are due in not more than 3 months.

11 Deposits by financial counterparties

	2023 £m	2022 £m
Sale and repurchase agreements:		
Due in not more than 3 months	11,158	33,165
Due in more than 3 months but not more than 1 year	350	-
	11,508	**33,165**
Fixed term deposits:		
Due in not more than 3 months	900	1,202
	12,408	**34,367**

These liabilities are held at amortised cost in accordance with the accounting policy in Note 1.

Sale and repurchase agreements are valued daily. The holder of collateral returns collateral to the DMA, or requests additional collateral, depending on whether the value of the collateral has risen or fallen.

12 Due to government customers

Counterparty analysis	2023 £m	2022 £m
Commissioners for the Reduction of the National Debt:		
Call notice deposits	82,868	66,098
Other government counterparties:		
Fixed term deposits	5,737	7,045
	88,605	**73,143**

Maturity analysis	2023 £m	2022 £m
In not more than 3 months:		
Fixed term deposits	5,329	6,057
Call notice deposits	82,868	66,098
In more than 3 months but not more than 1 year:		
Fixed term deposits	408	988
	88,605	**73,143**

These liabilities are held at amortised cost in accordance with the accounting policy in Note 1.

Call notice deposits are repayable on demand.

13 Treasury bills in issue

	2023 £m	2022 £m
Carrying value		
Due in not more than 3 months	44,302	24,361
Due in more than 3 months but not more than 1 year	18,867	11,769
	63,169	**36,130**
Fair Value	**63,159**	**36,125**

These liabilities are held at amortised cost in accordance with the accounting policy in Note 1.

14 Other liabilities

	2023 £m	2022 £m
Due to counterparties	94	150

These liabilities are held at amortised cost in accordance with the accounting policy in Note 1.

At 31 March 2023, other liabilities of £94 million related to £88 million of reverse repos where the counterparty failed to settle on time, £4 million of unsettled securities and £2 million of unclaimed coupons by the counterparty. All failed settlements, unsettled securities and unclaimed coupons have since settled. At 31 March 2022, other liabilities of £150 million related to reverse repos where the counterparty failed to settle on time.

All amounts are due in not more than 3 months.

15 Analysis of cash flow

Reconciliation of operating profit to net cashflow from operating activities	2023 £m	2022 £m
Operating surplus	**3,270**	**3,915**
Less investment revenues:		
Interest on investment securities	(5,267)	(3,925)
Less financing costs:		
Interest income on deposit at National Loans Fund	(616)	(50)
Interest expense on advance from National Loans Fund	209	64
	(407)	**14**
Decrease / (increase) in loans and advances to financial counterparties	40,681	(2,089)
(Increase) / decrease in securities held for trading	(1,440)	4,256
Decrease in derivative assets	-	-
Increase in other assets	(2,466)	(2)
(Decrease) / increase in deposits by financial counterparties	(21,959)	13,594
Increase in amounts due to government customers	15,462	19,607
Increase / (decrease) in Treasury bills in issue	27,039	(16,470)
(Decrease) / increase in other liabilities	(56)	143
Net cash inflow from operating activities	**54,857**	**19,043**

16 Fair value hierarchy

IFRS 7 defines three classifications of fair value measurement, using a fair value hierarchy. At 31 March 2023 the DMA held assets and liabilities in level 1 and level 2 of the fair value hierarchy, as defined in note 1 (v), and as shown below.

	Quoted market price Level 1		Using observable inputs Level 2		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Assets held at fair value:						
Securities held for trading	12	13	3,682	2,241	3,694	2,254
Derivative financial instruments	-	-	-	-	-	-
Assets held at amortised cost:*						
Investment securities	160,798	132,292	-	-	160,798	132,292
Liabilities held at amortised cost:*						
Treasury bills in issue	63,159	36,125	-	-	63,159	36,125

* The fair value of other financial assets and liabilities held at amortised cost are not disclosed in the table above since their carrying values are a reasonable approximation of their fair values.

There were no transfers between level 1 and level 2 in the year.

17 Gilt issuance

	2023 £m	2022 £m
Nominal value of gilts issued on behalf of National Loans Fund *	191,170	186,256
Proceeds paid to National Loans Fund (excluding accrued interest)	169,497	194,653

* This excludes gilts issued for short periods to facilitate the DMA's special and standing repo facilities.

During the year, there were no uncovered gilt auctions (2022: none).

Gilts issued by the DMA on behalf of the National Loans Fund have no impact on the financial statements of the DMA (as the DMA does not make a gain or loss from this activity and the resultant gilt liabilities are recognised by the National Loans Fund).

During the year, £63,309 million (nominal) gilts (2022: none) were created by the National Loans Fund and sold to the DMA for use as collateral in its cash management operations. Specific gilts issued in this way are not available to the repo market until three months after their creation. However, during this period, these gilts may be used in delivery by value (DBV) transactions.

18 Related party transactions

HM Treasury

The DMO is an executive agency of HM Treasury. As the DMO controls the DMA, HM Treasury is regarded as a related party of the DMA.

During the year, the DMA had a significant number of material transactions with the following entities, for which HM Treasury is regarded as the parent department or sponsor, and which are regarded as related parties:

Commissioners for the Reduction of the National Debt

Commissioners for the Reduction of the National Debt (CRND) is an entity within the DMO that performs a fund management service for a small number of public sector clients. The Secretary and Comptroller General of the CRND is also the Deputy Chief Executive of the DMO. CRND client mandates are kept distinct from other DMO business. CRND client mandates require the bulk of the funds to be invested in gilts or with the DMA. Surplus cash in CRND client accounts is regularly deposited with the DMA.

National Loans Fund

The DMA's principal role is to meet the financing needs of the National Loans Fund. At the end of each day, any surplus balance on the DMA (less a varying target float) is returned to the National Loans Fund as a deposit. This is the means by which the DMA balances the daily financing needs of the National Loans Fund. Under the terms of the Finance Act 1998, the National Loans Fund made a cash advance of £6 billion to the DMA at inception in order to establish the account. Subsequent cash advances and repayments have been made from time to time.

Bank of England

The Bank of England provides the DMA with banking and settlement agency services, the costs of which are borne by the DMO. The DMA stands ready to lend gilts to the Bank of England in relation to the Bank of England's Discount Window Facility. The DMA also lent gilts to the Bank of England in delivery by value (DBV) transactions, and borrowed specific gilts of the same value.

During the year, the government held interests in a number of financial institutions whose share capital was either wholly owned or partially owned by HM Treasury. The government's investments are managed by UK Financial Investments Limited, which is wholly owned by the government. As a result, Royal Bank of Scotland Group plc was regarded as a related party.

In addition, the DMA has had various transactions with other government entities. Most of these transactions have been with the following entities, which are regarded as related parties:

Various departments, public corporations, other central government bodies, and local authorities

Various government departments, public corporations, other central government bodies, and local authorities may enter into money market transactions with the DMA or deposit cash with the Debt Management Account Deposit Facility (DMADF).

Ministers and DMO Advisory Board

During the year, no minister or DMO Advisory Board member has undertaken any transactions with the DMA.

Details of compensation for senior DMO staff and non-executive directors can be found in the Remuneration Report section of the Accountability Report.

At 31 March 2023, amounts due to or from related parties (and others) were:

	Related Parties					Others	
	Central govt £m	Local govt £m	Financial counterparties £m	Other public bodies £m	Govt total £m	External bodies £m	Total £m
Assets							
Cash and balances at the Bank of England	3,309	-	-	-	**3,309**	-	**3,309**
Other assets	-	-	-	-	**-**	2,469	**2,469**
Derivative financial instruments	-	-	-	-	**-**	-	**-**
Loans and advances to financial counterparties	2,009	-	1,501	-	**3,510**	26,015	**29,525**
Securities held for trading	12	-	-	-	**12**	3,682	**3,694**
Investment securities:							
UK government gilts for use as collateral	81,642	-	-	-	**81,642**	-	**81,642**
Other UK government gilts	86,004	-	-	-	**86,004**	-	**86,004**
Deposit at National Loans Fund	20,654	-	-	-	**20,654**	-	**20,654**
Liabilities							
Deposits by financial counterparties	-	-	-	-	**-**	12,408	**12,408**
Due to government customers	83,218	5,189	-	198	**88,605**	-	**88,605**
Other liabilities	-	-	-	-	**-**	94	**94**
Advance from National Loans Fund	12	-	-	-	**12**	-	**12**

Treasury bills issued by the DMA have been excluded from the list of liabilities in the above table since these Treasury bills are traded in a secondary market and so the initial counterparty with whom the DMA transacted is not necessarily reflective of whom the DMA is due to pay on redemption of the Treasury bill.

19 Credit risk

Credit risk is the risk that a counterparty, or security issuer, will fail to discharge a contractual obligation resulting in financial loss to the DMA. Credit risk is monitored daily by the DMO's Risk Management Unit.

Exposure is primarily to financial counterparties, non-UK sovereign-related entities and central clearing counterparties. Intra-government balances are not considered to give rise to credit exposure.

Activities of the DMA that give rise to credit risk include:

- placing cash deposits;
- providing collateral for borrowings;

- exchanging cash and stock in buying and selling financial assets; and
- entering into derivative contracts.

The risk management framework employed during the year to manage credit risk was the same as in the prior year. The DMO continued to analyse financial markets, in particular how credit conditions, regulatory developments, market liquidity and market volatility might affect the DMA's risk profile.

(i) Credit risk limits and measurement

The DMO's policy is to deal only with highly creditworthy counterparties and issuers. Credit exposure is controlled by the application of limits for each counterparty and issuer that are approved by the Credit and Market Risk Committee. These limits are set for both individual entities and groups of related entities. Separate limits are set for different transaction types.

Credit risk measurement takes into account both current fair value and a risk weighting based on an estimate of potential future changes in value; in measuring credit exposure, different risk weightings are applied to different transaction types. The DMO monitors the DMA's exposure against limits on a daily basis and breaches are reported to the Credit and Market Risk Committee.

The Credit and Market Risk Committee reviews the concentrations of the DMA's credit exposure to counterparty groups and countries on a regular basis.

The DMO analyses the creditworthiness of potential counterparties and security issuers using various information sources including the information provided by three external credit assessment institutions: Standard and Poor's, Moody's Investors Service, and Fitch Ratings. Information from these sources is monitored continuously for changes.

The DMA transacts only with counterparties who meet a minimum credit rating requirement, and purchases securities issued only by issuers who meet such a requirement. Each counterparty and issuer must meet this requirement for each external credit rating available at the time the transaction is entered into. An internal ratings methodology is applied to counterparties that are not rated externally, for example in the case of funds managed by certain asset managers.

(ii) Other risk mitigation policies

In addition to the use of credit limits, exposure to credit risk is managed through other specific control and mitigation measures, as outlined below.

(a) Settlement processes

Transactions in financial assets (gilts, Treasury bills and commercial paper) are settled primarily through the CREST, Euroclear, or Clearstream systems, making use of settlement and custody accounts operated by the Bank of England on the DMO's behalf.

The CREST and Euroclear systems are owned by Euroclear Bank S.A., which had a Standard and Poor's credit rating of AA at 31 March 2023 (31 March 2022: credit rating of AA). The Clearstream system is owned by Clearstream Banking S.A., which had a Standard and Poor's credit rating of AA at 31 March 2023 (31 March 2022: credit rating of AA).

Wherever possible, trades are settled as delivery versus payment, with simultaneous exchange of cash and stock, or settlement whereby the DMA receives cash or stock from the counterparty before delivering stock or cash in return.

Daily settlement limits are also used to control settlement risk.

(b) Collateral

The DMA takes stock collateral when entering reverse sale and repurchase contracts to reduce its exposure to credit losses.

Collateral is required to be in the form of securities issued or guaranteed by the government or certain other governments in the rest of Europe with a long-term rating equal to or above AA- (Standard and Poor's), Aa3 (Moody's), and AA- (Fitch). Other highly-rated securities may be accepted from time to time. Collateral is held in the CREST, Euroclear or Clearstream systems.

The DMA also pays and receives cash collateral that arises from margin calls under certain derivative contracts and repo and reverse repo contracts novated to central clearing counterparties.

(c) Netting agreements

The DMO further restricts the DMA's exposure to credit losses by entering into master netting arrangements with counterparties. These arrangements do not result in an off-set of assets and liabilities in the statement of financial position. However, if a default occurs, all outstanding transactions with the counterparty are terminated and settled on a net basis.

Netting agreements normally incorporate collateral terms, including provision for additional margin to be called in response to changes in fair values of underlying transactions.

(iii) Impairment and provisioning policies

Counterparties and issuers are monitored for deterioration of credit worthiness, disappearance of a liquid market or late settlement. Collateral is valued on a daily basis.

As at 31 March 2023, in accordance with the impairment policy for IFRS 9 disclosed in Note 1, DMO management assessed that there was no material impairment of its financial assets (31 March 2022: none).

There were no assets whose terms had been renegotiated in the year (31 March 2022: none).

No credit related losses were incurred by the DMA during the year (2022: none), and no provisions were considered necessary at 31 March 2023 (31 March 2022: none).

(iv) Gross exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures on statement of financial position assets at 31 March were:

	Internal to government		External to government Financial counterparties		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Cash and balances at the Bank of England	3,309	3,904	-	-	3,309	3,904
Other assets	-	-	2,469	3	2,469	3
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to financial counterparties:						
Fixed term deposits	2,009	2,003	-	-	2,009	2,003
Reverse repos	-	-	27,516	68,203	27,516	68,203
Securities held for trading	12	13	3,682	2,241	3,694	2,254
Investment securities:						
UK government gilts for use as collateral	81,642	53,860	-	-	81,642	53,860
Other UK government gilts	86,004	58,016	-	-	86,004	58,016
Deposit at National Loans Fund	20,654	30,302	-	-	20,654	30,302
Total gross exposure	**193,630**	**148,098**	**33,667**	**70,447**	**227,297**	**218,545**

The external to government balances above represent credit risk exposure without taking into account any collateral held or other credit enhancements attached. The exposures set out above are based on the carrying value, as reported in the statement of financial position.

The DMA has not issued any financial guarantees. Under the terms of its membership of a central clearing counterparty, and in common with other members, the DMA contributes to a mutualised fund that is available to support the clearing service should other sources of financial protection be exhausted due to a member default.

(v) Collateral

(a) Sale and repurchase agreements (repos) and reverse sale and repurchase agreements (reverse repos)

Repos and reverse repos with collateral backing were as follows:

Settled transactions:

	2023 £m	2022 £m
Carrying value*		
Reverse repos (within loans and advances to financial counterparties)	27,516	68,203
Repos (within deposits by financial counterparties)	11,508	33,165
Fair value of securities collateral		
Net fair value of collateral	15,821	36,275
Collateral shortfall (excluding Bank of England)	431	-
Collateral surplus (excluding Bank of England)	244	1,237

* Carrying value per the statement of financial position.

Collateral shortfall and surplus represent the total margin call expected to be made (shortfall) or received (surplus) subject to individual contractual thresholds on the first business day following 31 March 2023.

Unsettled transactions:

	2023		2022	
	Unsettled value £m	Weighted average days to settlement	Unsettled value £m	Weighted average days to settlement
Reverse repos	1,874	3	1,053	1
Repos	4,480	3	6,632	1

All reverse repos and repos are with financial counterparties and central clearing counterparties. Collateral surplus and shortfall have been calculated at the level of individual counterparties. Collateral equal to the value of the unsettled cash amounts is taken upon settlement.

Based on the risk tiers defined for table (vi), at 31 March 2023 the unsettled reverse repos and repos transactions were with counterparties in Tier 2 to Tier 4.

(vi) Analysis by credit rating

The credit rating tiers below are based on the external long-term rating of the counterparty (or issuer for securities). If this is not available, where possible the DMO will use the most appropriate of (a) a long-term rating of the parent entity or (b) an internally assessed rating, based on an internal score card and review, approved by the Credit and Market Risk Committee. If neither (a) nor (b) are appropriate, balances are categorised as unrated. A credit rating of Tier 1 is aligned with entities with an external rating of AAA, Tier 2 is aligned with an external rating of AA+ to AA-, Tier 3 is aligned with an external rating of A+ to A-, and Tier 4 is aligned with an external rating of BBB+ to BBB-.

At 31 March 2023	Tier 1 £m	Tier 2 £m	Tier 3 £m	Tier 4 £m	Unrated £m	Total £m
Assets						
Cash and balances at the Bank of England	-	3,309	-	-	-	3,309
Other assets	-	1,062	1,095	1	311	2,469
Derivative financial instruments*	-	-	-	-	-	-
Loans and advances to financial counterparties:						
Fixed term deposits	-	2,009	-	-	-	2,009
Reverse repos**	-	19,873	6,166	1,477	-	27,516
Securities held for trading	2,453	1,229	-	-	-	3,682
	2,453	**27,482**	**7,261**	**1,478**	**311**	**38,985**
Liabilities						
Deposits by financial counterparties:						
Repos	-	11,508	-	-	-	11,508

At 31 March 2022	Tier 1 £m	Tier 2 £m	Tier 3 £m	Tier 4 £m	Unrated £m	Total £m
Assets						
Cash and balances at the Bank of England	-	3,904	-	-	-	3,904
Other assets	-	2	1	-	-	3
Derivative financial instruments*	-	-	-	-	-	-
Loans and advances to financial counterparties:						
Fixed term deposits	-	2,003	-	-	-	2,003
Reverse repos**	86	56,516	8,892	2,709	-	68,203
Securities held for trading	997	1,244	-	-	-	2,241
	1,083	**63,669**	**8,893**	**2,709**	**-**	**76,354**
Liabilities						
Deposits by financial counterparties:						
Repos	-	33,165	-	-	-	33,165

* Derivative financial instruments are shown net of any derivative liability for each counterparty.

** Includes exposure to non-bank financial counterparties.

UK government gilts, Treasury bills and deposits with the National Loans Fund have been excluded, as they are respectively issued by and deposited with the government.

At 31 March 2023, other assets of £2,467 million related to unsettled Treasury Bill sales and £2 million related to other unsettled security sales. At 31 March 2022, other assets of £2 million related to interest receivable on deposits with financial counterparties, £1 million related to unsettled coupons receivable on repo collateral and less than £1 million related to unsettled security sales.

(vii) Concentration of exposures

Credit exposures at 31 March by geographical region, based on the country of domicile of the ultimate parent entities of the counterparty or (for trading assets) issuer were:

At 31 March 2023	United Kingdom £m	Rest of Europe £m	North America £m	Asia-Pacific £m	Total £m
Assets					
Cash and balances at the Bank of England	3,309	-	-	-	3,309
Other assets	552	411	1,506	-	2,469
Derivative financial instruments*	-	-	-	-	-
Loans and advances to financial counterparties:					
Fixed term deposits	2,009	-	-	-	2,009
Reverse repos	25,036	-	1,504	976	27,516
Securities held for trading	-	3,682	-	-	3,682
	30,906	**4,093**	**3,010**	**976**	**38,985**
Liabilities					
Deposits by financial counterparties:					
Repos	11,479	-	-	29	11,508

* Derivative financial instruments are shown net of any derivative liability for each counterparty.

At 31 March 2022	United Kingdom £m	Rest of Europe £m	North America £m	Asia-Pacific £m	Total £m
Assets					
Cash and balances at the Bank of England	3,904	-	-	-	3,904
Other assets	2	-	1	-	3
Derivative financial instruments*	-	-	-	-	-
Loans and advances to financial counterparties:					
Fixed term deposits	2,003	-	-	-	2,003
Reverse repos	66,453	-	1,750	-	68,203
Securities held for trading	-	2,241	-	-	2,241
	72,362	**2,241**	**1,751**	**-**	**76,354**
Liabilities					
Deposits by financial counterparties:					
Repos	33,165	-	-	-	33,165

* Derivative financial instruments are shown net of any derivative liability for each counterparty.

UK government gilts, Treasury bills and deposits with the National Loans Fund have been excluded, as they are respectively issued by and deposited with the government.

(viii) Concentration of exposures - analysis by credit rating

The credit rating tiers below have the same basis as those used in note 19 (vi) on page 124.

Geographical regions are based on the country of domicile of the ultimate parent entity of the counterparty or (for trading assets) issuer.

Cash and balances at the Bank of England, securities held for trading, derivatives, other assets, reverse repos and repos were:

	United Kingdom		Rest of Europe		North America		Asia- Pacific		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Tier 1	-	86	2,453	997	-	-	-	-	2,453	1,083
Tier 2	35,694	95,590	1,229	1,244	1,062	-	1,005	-	38,990	96,834
Tier 3	5,078	7,142	411	-	1,770	1,751	-	-	7,261	8,893
Tier 4	1,478	2,709	-	-	-	-	-	-	1,478	2,709
Unrated	135	-	-	-	176	-	-	-	311	-
	42,385	**105,527**	**4,093**	**2,241**	**3,008**	**1,751**	**1,005**	**-**	**50,493**	**109,519**

UK government gilts, Treasury bills and deposits with the National Loans Fund have been excluded, as they are respectively issued by and deposited with the government.

20 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other price risk.

The DMA's exposure is primarily to interest rate risk. Derivatives have exposure to interest rate and currency risk. Non-derivative assets and liabilities have exposure to interest rate risk only.

The DMO manages the DMA's exposure to market risk with the daily monitoring and reporting of interest rate risk arising from the cash management portfolio of assets and liabilities.

The scope of market risk monitoring excludes interest rate risk arising from cash at the Bank of England, gilts and Treasury bills for use as collateral or for lending to the Bank of England, Treasury bills issued by tender, amounts due to the funds managed by CRND and all balances with the National Loans Fund. Intra-government balances are not considered to give rise to market risk across the government as a whole.

(i) Market risk measurement

The primary sensitivity analysis techniques used to measure and monitor market risk are outlined below.

Interest rate risk arises from the DMA's activity of addressing its cash flow profile throughout the year. Interest rate risk limits are in place, expressed in present value of a basis point (rather than value at risk) terms.

The Credit and Market Risk Committee reviews the DMA's market risk exposure regularly and the Cash Management Committee reviews certain aspects fortnightly.

(a) Value at risk

Value at risk (VaR) is a method which estimates the potential mark to market loss over a time horizon given a level of confidence. The DMO uses a time horizon of one day and a confidence level of 90 per cent and anticipates no portfolio changes over the time horizon. VaR is calculated daily on the basis of exposures outstanding at the close of business. If a portfolio has a one-day 90 per cent VaR of £1 million, it can be expected to lose more than £1 million on only one trading day out of 10. Calculation of the worst possible loss is outside the scope of VaR and measures are inherently limited in their ability to measure certain risks and to predict losses, particularly those associated with highly volatile market conditions. For interest rate risk, the DMO uses a historic simulation model. Assumptions as to how data will be distributed are based on historical data. Historical returns are simulated using current positions and then ranked to determine the 90th percentile. Additionally, stress-testing is performed for the cash management portfolio to describe the possible scenarios falling outside the 90 per cent confidence limits.

The DMO uses VaR measures as analytical information to help understand the risk profile of the cash management operation.

(b) Present value of a basis point

Present value of a basis point (PV01) is a standard sensitivity measure used to measure sensitivity to a 0.01 per cent parallel shift in interest rates when all other risk factors are held constant. The parallel shift in interest rates has been defined as the movement in the relevant zero coupon curve used to estimate fair value. The impact on yield curves of other factors, including extreme events, is outside the scope of PV01. As well as monitoring the total PV01, in order to understand concentrations in exposure, interest rate exposure by time-bucket and product class is reviewed weekly.

Interest rate limits set in PV01 terms were in place throughout the year and the prior year. Limits used operationally are set lower than those agreed with HM Treasury, in order to safeguard against breach of the latter should an operational error arise. Monitoring against these limits is performed daily and any breaches are reported to the Credit and Market Risk Committee.

(ii) VaR summary

VaR is not aggregated across activities, as they are independent and unrelated.

VaR is calculated daily for cash management exposures.

(a) Interest rate risk and currency risk – cash management

	2023 £m	**2022 £m**
VaR at 31 March	(6.20)	(2.87)
The range of end-of-day VaR in the year ended 31 March was:		
Most negative	(6.34)	(3.07)
Average	(2.38)	(1.03)
Least negative	(0.66)	(0.31)

Exposures to risk from trading and non-trading activities are measured together as they arise from economic environments that are not significantly different.

(iii) Interest rate risk

The DMA enters primarily into cash and securities contracts at fixed interest or discount rates.

The exceptions to this at 31 March 2023 were: index-linked gilts, with a carrying value of £7,727 million (31 March 2022: £7,101 million); the deposit at the National Loans Fund, with a carrying value of £20,654 million (31 March 2022: £30,302 million); the advance from the National Loans Fund, with a carrying value of £12 million (31 March 2022: £15,016 million); and call notice deposits from customers, with a carrying value of £82,868 million (31 March 2022: £66,098 million). The index-linked gilts are linked to the General Index of Retail Prices in the UK (RPI).

(a) Interest rate risk profile

The DMA's interest rate risk profile based on the earliest possible repayment date at 31 March was:

Fixed rate instruments	Weighted average interest rate		Weighted average period		Statement of financial position carrying value	
	2023	2022	2023	2022	2023	2022
	%	£m	Years	£m	£m	£m
Assets*	3.50	2.74	12.05	9.35	193,137	177,235
Liabilities (before funding by National Loans Fund)	3.95	0.33	0.16	0.11	81,315	77,542

Floating rate instruments	Statement of financial position carrying value	
	2023	2022
	£m	£m
Assets*	28,381	37,403
Liabilities (before funding by National Loans Fund)	82,868	66,099

* This excludes cash and balances at the Bank of England.

The DMA is charged interest on the advance from the National Loans Fund at the Bank Rate.

(b) Interest rate sensitivity – PV01 summary

Interest rate risk - cash management

	2023 £m	2022 £m
PV01 at 31 March	(1.05)	(1.34)
The range of end-of-day PV01 in the year ended 31 March was:		
Least negative / most positive	(0.05)	(0.93)
Average	(0.56)	(1.44)
Most negative	(1.32)	(1.88)

PV01 is the change in present value of an asset or liability for a 1 basis point change in the nominal yield curve used to value the asset or liability. A negative PV01 therefore indicates a decrease in value if rates rise or a gain if rates drop.

(iv) Currency risk

The DMA may enter into transactions with instruments denominated in euros, for diversification purposes, with currency risk hedged via foreign exchange swaps.

A currency risk limit constrains the extent to which the DMO may incur a net exposure to foreign currency movements when it enters into a foreign exchange transaction. The policy in force during the year (and during the prior year) was to match all foreign exchange cash flows. Such hedging is monitored daily and any breaches are reported to the Credit and Market Risk Committee.

No such transactions took place during the year, or in the prior year.

The DMA has no foreign operations and hence no structural foreign exchange exposures.

21 Liquidity risk

Liquidity risk is the risk that the DMA will encounter difficulty in meeting its obligations associated with financial liabilities.

The DMO manages the DMA's liquidity primarily by:

- monitoring cash flows to ensure that daily cash requirements are met;
- holding sufficient financial assets for which there is an active market and which can readily be sold or used as collateral against cash borrowings; and
- arranging the issue of Treasury bills and gilts to raise funds.

Management does not expect customers to call amounts repayable on demand simultaneously or without notice.

The DMA and the National Loans Fund are under common influence. It is not expected that liabilities of the DMA to the National Loans Fund would be required to be paid without warning.

Maturity analysis of assets and liabilities at 31 March 2023

	On demand £m	Up to 1 month £m	1-3 months £m	3-6 months £m	6-9 months £m	9-12 months £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Assets										
Cash and balances at the Bank of England	3,309	-	-	-	-	-	-	-	-	3,309
Other assets	-	2,469	-	-	-	-	-	-	-	2,469
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Loans and advances to financial counterparties	-	12,824	2,411	11,435	254	2,601	-	-	-	29,525
Securities held for trading	-	1	-	3,681	-	-	2	3	7	3,694
Investment securities	-	-	-	3,195	-	1,402	17,998	21,151	123,900	167,646
Total assets before deposit at National Loans Fund	**3,309**	**15,294**	**2,411**	**18,311**	**254**	**4,003**	**18,000**	**21,154**	**123,907**	**206,643**
Deposit at National Loans Fund	20,654	-	-	-	-	-	-	-	-	20,654
	23,963	**15,294**	**2,411**	**18,311**	**254**	**4,003**	**18,000**	**21,154**	**123,907**	**227,297**
Liabilities										
Deposits by financial counterparties	-	9,893	2,165	189	-	161	-	-	-	12,408
Due to government customers	82,868	3,900	1,429	408	-	-	-	-	-	88,605
Other liabilities	-	94	-	-	-	-	-	-	-	94
Treasury bills in issue	-	15,473	28,829	17,888	979	-	-	-	-	63,169
Total liabilities before funding by National Loans Fund	**82,868**	**29,360**	**32,423**	**18,485**	**979**	**161**	**-**	**-**	**-**	**164,276**
Advance from National Loans Fund	12	-	-	-	-	-	-	-	-	12
	82,880	**29,360**	**32,423**	**18,485**	**979**	**161**	**-**	**-**	**-**	**164,288**

Maturity analysis of assets and liabilities at 31 March 2022

	On demand £m	Up to 1 month £m	1-3 months £m	3-6 months £m	6-9 months £m	9-12 months £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Assets										
Cash and balances at the Bank of England	3,904	-	-	-	-	-	-	-	-	3,904
Other assets	-	3	-	-	-	-	-	-	-	3
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Loans and advances to financial counterparties	-	27,887	20,285	16,351	3,558	2,125	-	-	-	70,206
Securities held for trading	-	1	249	1,992	-	-	1	3	8	2,254
Investment securities	-	-	-	2,068	248	40	1,926	14,484	93,110	111,876
Total assets before deposit at National Loans Fund	**3,904**	**27,891**	**20,534**	**20,411**	**3,806**	**2,165**	**1,927**	**14,487**	**93,118**	**188,243**
Deposit at National Loans Fund	30,302	-	-	-	-	-	-	-	-	30,302
	34,206	**27,891**	**20,534**	**20,411**	**3,806**	**2,165**	**1,927**	**14,487**	**93,118**	**218,545**
Liabilities										
Deposits by financial counterparties	1,202	32,794	371	-	-	-	-	-	-	34,367
Due to government customers	66,098	4,291	1,766	988	-	-	-	-	-	73,143
Other liabilities	150	-	-	-	-	-	-	-	-	150
Treasury bills in issue	-	10,866	13,495	11,769	-	-	-	-	-	36,130
Total liabilities before funding by National Loans Fund	**67,450**	**47,951**	**15,632**	**12,757**	**-**	**-**	**-**	**-**	**-**	**143,790**
Advance from National Loans Fund	15,016	-	-	-	-	-	-	-	-	15,016
	82,466	**47,951**	**15,632**	**12,757**	**-**	**-**	**-**	**-**	**-**	**158,806**

(i) Maximum cumulative flow

A daily liquidity risk limit constrains the extent to which the DMO may leave an expected cash flow to be dealt with on the day it occurs.

The liquidity risk limit is measured by the Maximum Cumulative Flow over one day, which is the maximum permitted amount of any net expected cash inflow or outflow for the following day, assuming normal operating conditions.

A limit was in place throughout the year and acted as a liquidity risk trigger. Limits used operationally are set lower than those agreed with HM Treasury, in order to safeguard against breach of the latter should an operational error arise. These limits are monitored daily and any breaches are reported to the Credit and Market Risk Committee.

(ii) Non-derivative cash flows

The contractual undiscounted cash flows of the DMA's liabilities, other than the cash flows under derivative contracts, including interest that will accrue to these liabilities, were:

At 31 March 2023	On demand	0-6 months	7-12 months	Total flows (not-discounted	Adjustment for discount	Carrying Value*
	£m	£m	£m	£m	£m	£m
Deposits by financial counterparties	-	12,264	166	**12,430**	(22)	**12,408**
Due to government customers	82,868	5,754	-	**88,622**	(17)	**88,605**
Other liabilities	-	94	-	**94**	-	**94**
Treasury bills in issue	-	62,650	1,000	**63,650**	(481)	**63,169**
Total non-derivative liabilities before funding by National Loans Fund	**82,868**	**80,762**	**1,166**	**164,796**	**(520)**	**164,276**

* Carrying value per the statement of financial position.

At 31 March 2022	On demand	0-6 months	7-12 months	Total flows (not-discounted	Adjustment for discount	Carrying Value*
	£m	£m	£m	£m	£m	£m
Deposits by financial counterparties	1,202	33,167	-	**34,369**	(2)	**34,367**
Due to government customers	66,099	7,048	-	**73,147**	(4)	**73,143**
Other liabilities	150	-	-	**150**	-	**150**
Treasury bills in issue	-	36,168	-	**36,168**	(38)	**36,130**
Total non-derivative liabilities before funding by National Loans Fund	**67,451**	**76,383**	**-**	**143,834**	**(44)**	**143,790**

* Carrying value per the statement of financial position.

At 31 March 2023 there were no liabilities that the DMA intended to repay before maturity (31 March 2022: none).

Management expects actual undiscounted cash flows in relation to liabilities to be the same as contractual undiscounted cash flows, except in the case of amounts repayable on demand.

The DMA holds deposits at the Bank of England and other financial assets for which there is a liquid market and that can be readily sold to meet liquidity needs.

(iii) Derivative cash flows

The contractual undiscounted cash flows of the DMA's assets and liabilities under derivative contracts were:

(a) Derivatives settled on a gross basis

	0-6 months		Total undiscounted flows	
	2023 £m	2022 £m	2023 £m	2022 £m
Unsettled reverse sale and repurchase agreements, and unsettled sale and repurchase agreements:				
Outflow	-	-	**-**	**-**
Inflow	85	1,150	**85**	**1,150**

Carrying values are shown in note 8.

(b) Derivatives settled on a net basis

At 31 March 2023 the DMA held no derivatives settled on a net basis (31 March 2022: none).

At 31 March 2023 there were no derivative contracts that the DMA intended to terminate before maturity (31 March 2022: none). Management expects actual undiscounted cash flows in relation to derivatives to be the same as contractual undiscounted cash flows.

22 Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the Accounting Officer authorises the accounts for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Accounts Direction given by HM Treasury under the National Loans Act 1968

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

2. The United Kingdom Debt Management Office shall prepare accounts for the Debt Management Account (the Account) for the year ending 31 March 2012 and each subsequent financial year, which give a true and fair view of the state of affairs of the Account at the reporting date, and of its income and cash flows for the year then ended.

3. The accounts shall be prepared in accordance with applicable accounting standards, and shall be consistent with relevant requirements of the extant Government Financial Reporting Manual.

4. The accounts shall present an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows, and a statement of changes in net funding by National Loans Fund. The statement of financial position shall present assets and liabilities in order of liquidity.

5. The notes to the accounts shall include disclosure of assets and liabilities, and of income and expense, relating to other central government funds including the National Loans Fund.

6. The report shall include:

i a brief history of the Account, and its statutory background;

ii an outline of the scope of the Account, its relationship to HM Treasury and other central funds, and its management arrangements;

iii information on targets set by HM Treasury and their achievement;

iv a management commentary, including information on financial performance and financial position, which reflects the relationship between the Account and other central funds; and

v a governance statement.

7. This accounts direction shall be reproduced as an appendix to the accounts.

8. This accounts direction supersedes all previous Directions issued by HM Treasury.

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy, HM Treasury
23 March 2012

This publication is available in electronic form on the United Kingdom Debt Management Office (DMO) website: www.dmo.gov.uk.

All the DMO's publications and a wide range of data are available on its website including:

- the Annual Review, which covers the main developments for the financial year;
- the Quarterly Review, which summarises the DMO's gilt and money market operations over the given quarter;
- press releases;
- gilt auction announcements and gilt auction results; and
- Treasury bill tender results.

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