



United Kingdom
Debt Management
Office

Business Plan 2019-20

May 2019

1. Introduction

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

2. Key themes for 2019-20

2. The key business planning themes for 2019-20 remain consistent with previous years. The plan is primarily focused on the continued delivery of the DMO's debt management, cash management, fund management, local authority lending and other functions to the highest standards of quality and cost-effectiveness. We fully recognise that the effective delivery of these functions and services is our overriding objective and intend to allocate our resources, skills, systems and development activities accordingly.

3. The DMO's business plan therefore includes the following key themes for 2019-20:

- Delivery of the 2019-20 financing remit – to be achieved primarily through gilt sales of £117.8 billion.¹
- The DMO will continue to support HM Treasury in the development of and innovations associated with debt management policy.
- Delivery of the cash management remit – which will require handling the cash consequences of, among other things, the gilt and Treasury bill programme in as an efficient and cost-effective way as possible.
- Continuing to consult and liaise with key stakeholders – and in particular the Gilt-edged Market Makers - in the financial markets in which the DMO has a key interest; and to consider further developments, innovations and enhancements to facilitate the effective delivery of the debt and cash management remits.
- Continuing to maintain close contact with the Bank of England on operational matters relating to the Asset Purchase Facility and also conditions and developments relating to the sterling markets more generally.
- Continuing to support HM Treasury in progressing proposed changes to the governance framework for the Public Works Loan Board and, if applicable, prepare for the transition to any new arrangement.
- 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. In this respect, following a public procurement

¹ See:

<https://www.dmo.gov.uk/media/15900/sa240419.pdf>
<https://www.dmo.gov.uk/media/15831/sa130319.pdf>
<https://www.dmo.gov.uk/media/15830/drmr1920.pdf>

process in February 2019, the DMO appointed Insight Direct (UK) Ltd² as its preferred supplier to upgrade its data storage and systems resilience hardware and software.

- Continuing to enhance its core trading and transaction processing systems by the implementation of a new financial trading system, Quantum, supplied by FIS Avantgard LLC following a public procurement process in 2018.
- Continuing to seek out operational process efficiencies with the intention of further reducing cost and risk.
- Continuing to monitor the resource and skills required to deliver the DMO's array of objectives within the budget settlement agreed with HM Treasury.

3. Review of 2018-19

4. The DMO has delivered all of its 2018-19 key objectives.³ In particular:

- The gilt remit for 2018-19 was delivered with total gilt sales amounting to £98.6 billion (cash) raised through 36 auctions and 4 syndications. The average publication time for gilt auctions was 3.8 minutes (4.0 minutes in 2017-18) and for Treasury bill tenders was 4.7 minutes (5.2 minutes in 2017-18). The cash management remit for 2018-19 was also delivered in full.
- Lending to local authorities via the Public Works Loan Board ("PWLB") amounted to £9.131 billion gross of new loans in 2018-19 with the total loan book as at end-March 2019 standing at £77.52 billion of principal outstanding.
- The DMO continued to manage the assets of certain public funds via the Commissioners for the Reduction of the National Debt ("CRND") function. Assets under management as at end-March 2019 stood at approximately £35 billion.
- The DMO continued to manage the gilt registration contract with Computershare Investor Services PLC on behalf of HM Treasury.
- The DMO continued the enhancement and is in the process of implementing replacement of core trading and transaction processing systems. In this respect, following a public procurement process the DMO appointed FIS Avantgard LLC as its preferred supplier to replace a number of its financial trading systems. Upon completion of the contract, a Contract Award Notice (reference 2018/S 068 - 151311) was published on Tenders Electronic Daily (www.ted.eu), dated 7 April 2018⁴.

² <https://www.contractsfinder.service.gov.uk/Notice/5774074d-570f-4d87-9a8bebdb4ac02fad?p=@FQxUIRRPT0=NjJNT08=U>

³ Further information on the DMO's delivery of its 2018-19 objectives will be published in its Annual Report and Accounts later in the year.

⁴ <http://ted.europa.eu/udl?uri=TED:NOTICE:151311-2018:TEXT:EN:HTML&src=0>

4. Corporate governance

5. The DMO is an executive agency of HM Treasury. As such, the DMO is legally and constitutionally part of HM Treasury. The nature of its status, together with other details relating to its responsibilities and remit as an executive agency, are contained in its Framework Document.⁵

4.1 Chief Executive

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

4.2 Managing Board

7. The DMO has a senior management team that comprises the Chief Executive, Sir Robert Stheeman; Jo Whelan, Deputy Chief Executive and Co-Head of Policy & Markets; Jim Juffs, Chief Operating Officer; and Jessica Pulay, Co-Head of Policy & Markets. Together with a representative from HM Treasury (vacant at the time of publishing, to be appointed), and non-executives Brian Duffin, Paul Fisher, and Paul Richards (appointed in March 2019 following an external recruitment process), they comprise the DMO's Managing Board. A sub-committee of the Managing Board usually meets weekly.

4.3 DMO Audit Committee

8. The DMO Audit Committee comprises the following independent members: Brian Duffin, the Committee's chair, Caroline Mawhood, Paul Fisher and Paul Richards. Malcolm Copeman – the Head of the Internal Audit function – is Secretary to the Committee.

9. Those who are eligible to attend DMO audit committee meetings, as necessary, include Sir Robert Stheeman, Jo Whelan, Jessica Pulay, Jim Juffs, representatives from the DMO's teams, representatives from the Government Internal Audit Agency, and the National Audit Office.

4.4 Staffing complement

10. In 2018-19, the DMO had an average complement of around 135 full time equivalent members of staff (including short-term contract staff).

4.5 Values

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

- To promote and achieve professional excellence.
- To be communicative, consultative and collaborative.
- To be innovative, flexible and responsive.
- To add value.
- To be delivery focused.

⁵ The Framework Document can be found at: <https://www.dmo.gov.uk/media/14536/fwork040405.pdf>

- To be scrupulously fair.
- To be an excellent place to work.

5. Vision, objectives and responsibilities

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

5.1 Vision

13. 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.

5.2 Agency objectives

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

5.3 Planning Uncertainties

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

6. Operational targets 2019-20

1. To ensure full compliance with HM Government's remit for the DMO (which is set out in the Debt Management Report 2019-20).
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.
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 that all published data is materially accurate and that all market sensitive announcements are made in a timely manner.
9. To process all loan and early settlement applications from local authorities within two working days (between the date of the agreement and the completion of the transaction).
10. To ensure that the gilts purchase and sales service is operated according to its published terms and conditions.