

United Kingdom
**Debt
Management
Office**

BUSINESS PLAN 2011-2012



Introduction

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

Key themes for the 2011-12 business plan

- 2 The key business planning themes for 2011-12 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 2011-12:
 - Delivery of the debt management remit - which comprises a gilt financing requirement of £167.5 billion which it is intended is to be achieved through around 60 gilt market operations.
 - Delivery of the cash management remit – which will require management of the cash consequences of the gilt and Treasury bill programme, along with other HMG cashflows, in as an efficient and cost-effective way as possible.
 - Continuing to consult and liaise with key stakeholders – and in particular the Gilt-Edged Market Makers - in the financial markets in which the DMO has an interest; and to consider further developments, innovations and enhancements to facilitate the effective delivery of the debt and cash management remits. The DMO will also continue to maintain close contact with the Bank of England on operational matters pertaining to the Asset Purchase Facility.
 - Continuing to minimise operational risk by ensuring the DMO's business operations are fully supported by resilient and efficient systems and processes, and are managed within the budget envelope agreed with HM Treasury.

- Continuing to work closely with HM Treasury and the Department of Energy and Climate Change (“DECC”) on the ongoing delivery and development of phase II of the UK’s auctions of EU Emission Trading System (“ETS”) allowances.
- Continuing to manage the administration of the Credit Guarantee Scheme.
- Continuing to seek out operational process efficiencies with the intention of further reducing cost and risk
- We will continue to monitor the resource and skills required to deliver the DMO’s array of objectives within the Spending Review 2010 budget settlement agreed with HMT.
- In line with our commitment to Investors in People status, we will continue to manage and develop our staff to achieve their professional potential and support the objectives of the office.

Review of 2010-11

4 The DMO has delivered all of its 2010-11 key objectives¹. In particular :

- The gilt remit for 2010-11 was delivered with total gilt sales amounting to £166.35 billion (cash) raised through 49 auctions, 7 mini-tenders and 5 syndicated offerings. The average publication time for gilt auctions was 6.1 minutes (6.3 minutes in 2009-10) and for Treasury bill tenders was 5.8 minutes². The cash management remit for 2010-11 was also delivered.
- The DMO continues to conduct, on behalf of DECC, auctions of EU Emissions Trading System Allowances (“EUA”). During 2010-11, the DMO carried out 8 EUA auctions with a total of 35.2 million EUAs on offer.
- Lending to local authorities via the Public Works Loan Board (“PWLB”) amounted to approximately £5.2 billion gross and £1.9 billion net in 2010-11 with the total loan book as at end-March 2011 standing at £53.1 billion.
- The DMO continues 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 2011 stood at approximately £49.8 billion.

¹ Further information on the DMO’s delivery of its 2010-11 objectives will be published in its Annual Report and Accounts later in the year.

- The DMO continued to manage the gilt registration contract with Computershare Investor Services PLC on behalf of HM Treasury.

Corporate governance

- 5 The DMO is an executive agency of HMT, and therefore legally indistinguishable from the latter. The nature of its status, together with other details relating to its responsibilities and remit as an executive agency, are contained in its Framework Document³.

Chief Executive

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

Managing Board

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

DMO Audit Committee

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

Staffing complement

- 9 In 2010-11, the DMO had a complement of around 109 full time equivalent members of staff (including short-term contract staff).

² There is no comparable data for 2009-10 as automated bid capture for Treasury bill tenders was introduced in February 2010.

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

Values

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

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

Vision, objectives and responsibilities

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

Vision

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

Agency objectives

1. To develop, provide advice on and implement the Government's debt management strategy.
2. To develop, provide advice on and implement the Government's cash management requirements.
3. To provide advice and operational services to HM Treasury on issues relating to the management of the Government's balance sheet.
4. To provide advice and operational services to government departments on wholesale markets-related issues and activities

5. To develop and deliver its fund management responsibilities and, in particular, to provide a cost-effective service for stakeholders.
6. To provide a cost-effective lending service to local authorities through the Public Works Loan Board.
7. To resource, staff and manage the DMO efficiently and cost-effectively to ensure key responsibilities are achieved.
8. To manage, operate and develop an appropriate risk and control framework.

Planning Uncertainties

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

Operational targets 2011-12

1. To ensure full compliance with HM Government's remit for the DMO (which is set out in the Debt and Reserves Management Report 2011-12).
2. To ensure that the maximum time taken to issue the results of gilt operations, Treasury bill tenders and ETS auctions does not exceed 15 minutes – with the aim of publishing the results within 10 minutes of the close of offer - whilst achieving complete accuracy.
3. To achieve accuracy, within agreed accounting tolerances, in the recording and reporting of transactions through the DMA, and meeting the required deadlines for the publication and submission for audit of the annual reports of the DMO, DMA, the PWLB and CRND.
4. To ensure that the DMO responds to enquiries under the Freedom of Information Act within the statutory timeframe.
5. To avoid breaches of the DMO's operational market notices.
6. To ensure that, for cash management purposes, target weekly balances and expected daily variations are notified according to the agreed schedule.
7. To ensure that settlement instructions to counterparties, agents and external systems are complete, accurate and timely, and that monitoring of the progress of transactions through settlement is effective, so that the DMO successfully settles at least 99% (by value) of agreed trades on the due date.
8. To ensure factual accuracy in the publication of all market sensitive data and to make announcements in a timely manner.
9. To process all loan and early settlement applications from local authorities within two working days (between the date of the agreement and the completion of the transaction).
10. To ensure that the gilts purchase and sales service is operated according to its published terms and conditions.
11. To administer the Credit Guarantee Scheme on behalf of HM Treasury in accordance with the relevant Scheme's published rules.