



United Kingdom
Debt Management
Office

Business Plan 2017-18

July 2017

1. 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 HM Treasury's objectives.

2. Key themes for 2017-18

2. The key business planning themes for 2017-18 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 2017-18:

- Delivery of the 2017-18 financing remit – to be achieved primarily through gilt sales of £114.2 billion.¹ For information, at the Autumn Statement, the Chancellor of the Exchequer announced that the Government will move to a single major fiscal event each year. This means following the Budget in spring 2017, Budgets will be delivered in the autumn, with the first one taking place in autumn 2017. HM Treasury and the DMO will report further on the precise arrangements for the timing of the publication of the Debt Management Report and the financing remit in due course.
- 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.
- Progressing the DMO's strategic intention to withdraw in due course from the provision of daily end-of-day Gilt-edged Market Makers Association (GEMMA) and Treasury bill reference prices. In this respect, the DMO has announced that it intends to cease publishing end-of-day reference prices for gilts, strips and Treasury bills, and intraday prices for gilts, with effect from Monday, 24 July 2017. From this date it is intended that

¹ See: http://www.dmo.gov.uk/documentview.aspx?docname=remit/sa080317.pdf&page=Remit/full_details
<http://www.dmo.gov.uk/documentview.aspx?docName=remit/sa250417.pdf> and
http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr1718.pdf&page=Remit/full_details

FTSE Russell and Tradeweb will be the successor providers of end-of-day reference prices for gilts, strips and Treasury bills.

- 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 manage the administration of the National Loan Guarantee Scheme.
- 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.
- The DMO intends to continue to review its core trading and transaction processing systems. In this respect, the DMO has initiated a procurement process to consolidate a number of its financial trading systems².
- 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 2016-17

4. The DMO has delivered all of its 2016-17 key objectives.³ In particular:

- The gilt remit for 2016-17 was delivered with total gilt sales amounting to £147.6 billion (cash) raised through 48 auctions, 7 syndications and 3 gilt tenders. The average publication time for gilt auctions was 4.3 minutes (5.0 minutes in 2015-16) and for Treasury bill tenders was 5.9 minutes (6.2 minutes in 2015-16). The cash management remit for 2016-17 was also delivered in full.
- Lending to local authorities via the Public Works Loan Board ("PWLB") amounted to £3.63 billion gross of new loans in 2016-17 with the total loan book as at end-March 2017 standing at £66.59 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 2017 stood at approximately ££29.41 billion.
- The DMO continued to manage the gilt registration contract with Computershare Investor Services PLC on behalf of HM Treasury.
- The DMO continued to manage the administration of the National Loan Guarantee Scheme.

² <http://ted.europa.eu/udl?uri=TED:NOTICE:210062-2017:TEXT:EN:HTML>

³ Further information on the DMO's delivery of its 2016-17 objectives will be published in its Annual Report and Accounts later in the year.

4. Corporate governance

5. The DMO is an executive agency of HM Treasury, and therefore legally indistinguishable from the latter. The nature of its status, together with other details relating to its responsibilities and remit as an executive agency, are contained in its Framework Document.⁴

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 Head of Operations and Resources; and Jessica Pulay, Co-Head of Policy & Markets. Together with a representative from HM Treasury Richard Hughes, Director, Fiscal Policy, and non-executives Brian Duffin and Paul Fisher, 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 three independent members: Brian Duffin, the Committee's chair, Caroline Mawhood and Paul Fisher. 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, a representative from the internal audit team for HM Treasury and the National Audit Office.

4.4 Staffing complement

10. In 2016-17, the DMO had an average complement of around 121 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.

⁴ The Framework Document can be found at: <http://www.dmo.gov.uk/docs/publications/corpgovernance/fwork040405.pdf>

- To be delivery focused.
- 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 and to act 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 2017-18

1. To ensure full compliance with HM Government's remit for the DMO (which is set out in the Debt Management Report 2017-18).
2. To aim 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 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 report and accounts 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 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.
11. To administer the National Loan Guarantee Scheme on behalf of HM Treasury in accordance with the Scheme's published rules.