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## EXECUTIVE AGENCIES AND OFFICES

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- Debt Management Office
- Office of Government Commerce



## DEBT MANAGEMENT OFFICE

## AIMS AND OBJECTIVES

**5.1** The UK Debt Management Office (DMO) was established as an Executive Agency of the Treasury on 1 April 1998. The DMO's aim is to carry out the Government's debt management policy of minimising its financing costs over the long term, taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost effective way.

**5.2** Since July 2002, the Public Loans Works Board (PWLb) and the Commissioners for the Reduction of the National Debt (CRND) have been integrated within the DMO. The main objective of the PWLB is to lend capital sums to and collect repayments from local authorities and thereby minimise local authorities' cost of borrowing. The main objective of CRND is to provide an investment fund management service to public sector clients in a way which safeguards public funds.

**5.3** The DMO performed strongly in 2002-2003. Most of its objectives and targets were met in full and its remits from HM Treasury successfully delivered. See Table 5.1.

## COMMAND AND ORGANISATIONAL STRUCTURE

**5.4** As an Executive Agency the DMO is legally part of the Treasury, but it has substantial operational independence. Treasury Ministers set the DMO annual remits for both its debt and cash management operations. The DMO is then free to decide how best to meet its objectives, providing it keeps within the remit and other guidance, without day-to-day involvement of ministers.

**5.5** The integration of PWLB and CRND into the DMO on 1 July 2002, followed a review of the arrangements and the future requirements for government debt and asset management. The reorganisation was designed to deliver improved management of the central government balance sheet and to offer a more robust, flexible and innovative service to public sector clients.

**5.6** The DMO, which currently has around 80 staff, publishes its business plan each year; this and other material including an increasing amount of data on the gilt and cash markets can be found on [www.dmo.gov.uk](http://www.dmo.gov.uk). PWLB and CRND maintain their own dedicated sites [www.pwlb.gov.uk](http://www.pwlb.gov.uk) and [www.crnd.gov.uk](http://www.crnd.gov.uk) which provide information on their respective activities to their clients.

TABLE 5.1: DEBT MANAGEMENT OFFICE PERFORMANCE AGAINST OBJECTIVES

Strategic Objectives	Targets	Latest Outturn
1. To meet the annual remit set by Treasury Ministers for the sale of gilts, with high regard to long-term cost minimisation taking account of risk.	1. To ensure full compliance with the Government's remit for the DMO as set out in the Debt & Reserves Management Report 2002-2003, within the tolerances and subject to the review triggers notified separately to the Office and consistently with the objectives of monetary policy.	Achieved. Annual gilts and cash remits successfully delivered. Gilt sales 2002-2003 were £26.3 billion and the stock of Treasury bills increased by £5.3 billion to £15.0 billion.
2. To offset, through its market operations, the expected outturn cash flow into or out of the National Loans Fund (NLF), on every business day; and in a cost effective manner, taking account of risk.	2. To ensure that the maximum time taken to issue the results of gilt auctions does not exceed 40 minutes, that for structured Treasury Bill tenders it does not exceed 30 minutes, and that for ad hoc Treasury Bill or other tenders it does not exceed 15 minutes, while achieving complete accuracy.	Achieved. The auction result release times ranged from 21 to 38 minutes. The release times for weekly Treasury Bill tenders ranged from 9 to 12 minutes and averaged 9.5 minutes.
3. To manage effectively, in accordance with objectives set by Treasury ministers, any assets held on the Debt Management Account.	3. To achieve complete accuracy, within agreed accounting tolerances, in the recording and reporting of transactions through the Debt Management Account (DMA) and in delivering money (and reconciling payments) to the NLF and to meet the statutory deadlines for the publication or submission for audit of the annual reports of the DMO agency and DMA.	Achieved. The Agency Accounts for 2001-2002 were published on 23 July 2002 ahead of the required deadline of 24 July 2002 (the day the House of Commons rose for the Summer Recess). The DMA accounts for 2001-2002 were published on 19 December 2002 (the same day as the deadline).

Strategic Objectives	Targets	Latest Outturn
4. To advise ministers on setting the remit to meet the Government's objectives under 1-3 above; and to report to ministers on the DMO's performance against its remit, objectives and targets.	4. To acknowledge all letters and e-mail enquiries from the public within 5 working days and for at least 95 per cent to be sent a substantive reply within 2 weeks.	Achieved. Average response time throughout the year was 2 working days.
5. To develop policy on and promote advances in, new instruments, issuance techniques and structural changes to the debt and Treasury Bill markets that may help to enhance the efficiency and lower the cost of debt and cash management, liaising as appropriate with the relevant bodies; to keep abreast of developments in debt and cash management policy and practice; and to provide policy advice to ministers and officials accordingly.	5. To achieve less than 6 breaches of operational market notices (excluding any breaches which the Treasury accept were beyond the control of the Office).	Achieved. There have been no such breaches.
6. To conduct its market operations, liaising as necessary with the relevant bodies, with a view to maintaining or promoting an orderly, efficient and liquid market for gilts.	6. To ensure that the statutory constraint on DMO market borrowing (not to exceed its deposits with the NLF and Bank of England) is always met.	Achieved. The DMO's outstanding borrowing with the market was always lower than its deposits with the NLF and the Bank of England in the period.
7. To provide, including in liaison with the Bank of England and CRESTCo, a high quality and efficient service to investors in Government debt, and to deal fairly and professionally with market participants in the gilt and money markets, consistent with achieving low cost issuance and an efficient market.	7. To ensure that, where there is a late change in the forecast, any necessary use of end of day borrowing or lending facilities is notified by the due time.	Achieved. Deadlines for late lending and borrowing were met. In addition, in the event of a late shut-down, the actual due time was moved, but the target remained the same.
8. To contribute to the Treasury's work on the development of the strategy for managing the Government's financial assets and liabilities.	8. To ensure that 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 achieves at least 99% (by value) successful settlement of agreed trades on the due date.	Achieved. No trades failed as a result of circumstances within the DMO's control.
9. To make information publicly available on the debt and Treasury Bill market and DMO policies where that contributes through openness and predictability to efficient markets and lower costs of issuance.	9. To release all market sensitive data and announcements in a timely manner and to achieve no more than 10 factual errors in material published by the DMO, including on the DMO web site (insofar as the material is under the control of the DMO and not third parties).	All releases and announcements were made in a timely manner. Thirteen errors were discovered on the DMO website and subsequently corrected.

Strategic Objectives	Targets	Latest Outturn
10. To contribute to the Government's wider objectives for financial cost effectiveness and risk reduction, including by developing partnerships with other parts of the public sector, and by providing advice and expertise to other government departments (and other governments) as required.		The DMO has continued to develop projects with other government departments utilising its specialist financial market knowledge. It has expanded its Debt Management Account Deposit Facility which some local authorities use to make deposits. It has also continued to execute transactions to hedge Guaranteed Equity Bonds issued by National Savings & Investments.
11. To resource, staff and manage the Office to deliver its objectives effectively and efficiently and to ensure value for money in its administrative expenditure.		The DMO has improved its operational efficiency and resilience in a number of areas, it also, as noted above, merged with CRND and PWLB in 2002. The DMO was re-accredited as an Investor in People in December 2002.
12. To develop appropriate management, information and control systems with high regard to risk management; and to ensure full and accurate presentation of accounting and other information.		Management reporting arrangements have continued to be developed to meet the requirements and obligations of the DMO and in accordance with the Turnbull Guidelines. The DMO has successfully met the requirements of the Freedom of Information Act 2000.

## ACHIEVEMENTS

**5.7** The DMO's achievements are set out in Table 5.1.

**5.8** The merger with the PWLB and CRND was successfully managed expanding further the range of services provided by the DMO to include responsibility for handling loans to Local Authorities and managing funds for other government Departments.

**5.9** The DMO has continued to expand the content of and resources devoted to its website: [www.dmo.gov.uk](http://www.dmo.gov.uk). All of the DMO's publications and an increasing amount of data on both the gilts and cash markets appear on the site. PWLB and CRND continue to maintain their own dedicated websites for the present [www.pwlb.gov.uk](http://www.pwlb.gov.uk) and [www.crnd.gov.uk](http://www.crnd.gov.uk)

**5.10** The DMO publishes a quarterly review of its activities in the gilts and cash markets - including results of all market operations and progress against the remit in the preceding quarter: this is available on the DMO web site at [www.dmo.gov.uk/publications/quarterlyreviews](http://www.dmo.gov.uk/publications/quarterlyreviews). The most recent Review was published in April 2003.

**5.11** An annual summary of developments in the markets in which the DMO operates and a review of the DMO's activities are published in the DMO Annual Review, available at [www.dmo.gov.uk/publications/annualreviews/](http://www.dmo.gov.uk/publications/annualreviews/). The most recent Review (for 2001-2002) was published in September 2002. It can be found at [www.dmo.gov.uk/publications/annual/gar0102.pdf](http://www.dmo.gov.uk/publications/annual/gar0102.pdf)

**5.12** The DMO's Annual Report and Accounts also include a fuller review of operations against strategic objectives and published targets; it is available on the DMO website at [www.dmo.gov.uk/publications](http://www.dmo.gov.uk/publications). The most recent annual report and accounts for 2001-02 was published on 18 July 2002. It can be found at [www.dmo.gov.uk/publications/busplan02.pdf](http://www.dmo.gov.uk/publications/busplan02.pdf).

**5.13** The most recent PWLB Annual Report for 2001-2002 was published on 09 July 2002 and is available at [www.pwlb.gov.uk/annrep01-02.pdf](http://www.pwlb.gov.uk/annrep01-02.pdf).

## PLANS FOR THE FUTURE

**5.14** As the Government's treasury manager the DMO aims, with the Treasury, to lead, develop and deliver the Government's debt, cash and fund management objectives. In particular it aims to:

- deliver the government's debt cash and fund management requirements and local authority lending services efficiently and effectively;
- develop and lead with the Treasury the strategy on debt cash and fund management issues;
- develop and drive with the Treasury the strategy on the management of the central government balance sheet; and

- advise on and deliver innovative and practical solutions to broader government financial balance sheet issues.

## HUMAN RESOURCES

**5.15** An overview of human resource issues, including recruitment campaigns carried out, is available in the DMO's Annual Report and Accounts, available at [www.dmo.gov.uk/publications/dmospecificpublications/](http://www.dmo.gov.uk/publications/dmospecificpublications/).

**5.16** Recruitment to new posts is carried out on the basis of fair and open recruitment and selection on merit, in accordance with

the guidance provided by the Civil Service Commissioners. An overview of DMO recruitment practice and current vacancies is available on the DMO web site at: [www.dmo.gov.uk/recruitment](http://www.dmo.gov.uk/recruitment).

**5.17** The DMO's commitment to the training and development of staff is illustrated by its successful re-accreditation in December 2002, as an Investor in People. The new accreditation runs for a period of three years. As part of its commitment to maintaining IIP status, the DMO has introduced a rigorous corporate training plan to enhance the skills base of its employees.

OFFICE OF GOVERNMENT COMMERCE

**AIMS AND OBJECTIVES**

**5.18** The Office of Government Commerce (OGC) was created to lead a wide-ranging programme to modernise procurement in central civil government and deliver substantial value for money improvements. The overall role and purpose of OGC (its vision) is to work with central civil government as a catalyst to achieve best value for money (vfm) in commercial activities.

**5.19** For 2002–2003 OGC had four high level objectives and ten key delivery strategies. These are set out in the table below. For 2003-2004 onwards, the key delivery strategies have been replaced

by seven key priorities, following the development of a medium-term strategy covering the period 2003-2004 to 2005-2006. This framework sets the broad agenda for building strong customer and commercial relationships and planning and driving forward actions in support of achieving value for money gains for central civil government. Further details on OGC's objectives and key priorities are available on OGC's website: <http://www.ogc.gov.uk/index.asp?id=55> or from OGC's Service Desk. tel.0845 000 4999, e-mail: ServiceDesk @ogc.gov.uk.

**TABLE 5.2: OFFICE OF GOVERNMENT COMMERCE OBJECTIVES AND DELIVERY STRATEGIES 2002-2003**

**HIGH LEVEL OBJECTIVES**

- i. Provide guidance and expertise to support the successful delivery of procurement-based projects and other forms of commercial activity.
- ii. Develop the government market so it is more efficient and attractive for both suppliers and customers.
- iii. Develop a clear and supportive framework for best in class procurement activity, to help achieve better value for money.
- iv. Deliver efficient and effective services to external and internal customers, gaining widespread recognition for excellence and as a leading contributor to government modernisation.

**KEY DELIVERY STRATEGIES**

- 1. Realise OGC's vision by establishing and continuously developing OGC as a centre of excellence, with a highly motivated staff of suitably skilled and experienced practitioners.
- 2. Help civil government departments secure value for money (vfm) through use of best practice techniques.
- 3. Achieve vfm by catalysing the sharing and exchange of knowledge about government commercial activity.
- 4. Drive forward improvements in the management of large, complex and/or novel projects involving the acquisition of third party goods, works and/or services.
- 5. To catalyse and facilitate commercial relationships with suppliers and partners that generate value for money.
- 6. Ensure that staff in central civil departments have the professionalism and skills to meet the needs of all aspects of government commerce in the 21st century.
- 7. Implement and continue to develop a process for the strategic management of key suppliers so that value for money is gained from these relationships.
- 8. Achieve effective competition for government business through simplified access to the government market place for suppliers.
- 9. Realise a step change in efficiency by catalysing the use of e-procurement for government's interactions with its supply base.
- 10. To support the wider public sector in the achievement of value for money.

## COMMAND AND ORGANISATIONAL STRUCTURE

**5.20** OGC is an independent office of the Treasury with its own Chief Executive appointed at Permanent Secretary level. OGC is not an executive agency but has a governance structure that allows it to act independently. OGC reports to the Chief Secretary to the Treasury who is the departmental minister. To reinforce the nature of OGC's cross-departmental function and purpose, and to give strategic direction, OGC has a Supervisory Board of which the Chief Secretary is the Chair. Further details of OGC governance are available on the OGC website: <http://www.ogc.gov.uk/index.asp?id=54>.

**5.21** During 2002-2003 OGC had six directorates: Policy Practice and Legal; Customer Relations; Corporate Services; IT; Property and Construction; and Supplier Relations and e-Commerce. However following 2002 Spending Review, OGC's medium-term Strategy has led to it being re-aligned from 1 April 2003 into four Directorates: Gateways; Successful Delivery; Supplier and Government Marketplace Development; and Corporate Services.

**5.22** OGC also has a single trading arm OGCBuying.solutions, which is a Government Trading Fund and an Executive Agency, financed from income received from its customers. OGCBuying.solutions offers value for money procurement routes for IT, telecommunications, building and property related goods and services. Further information on the work of this agency and its performance against targets is available from [www.ogcbuying.solutions.gov.uk](http://www.ogcbuying.solutions.gov.uk).

## PERFORMANCE AGAINST TARGETS

**5.23** OGC's primary target has been to deliver value for money gains (Target 10 of the Treasury's Public Service Agreement) of £1 billion in government procurement by 2002-2003. Between 2003-2004 and 2005-2006 inclusive, the target will be to deliver £3 billion worth of vfm gains. To support the achievement of the £1 billion PSA target, OGC set itself eleven performance targets covering its top priorities for 2002-2003. OGC's performance against these targets for 2002-2003 are set out in Tables 5.3 and 5.4 below.

**TABLE 5.3: OFFICE OF GOVERNMENT COMMERCE PERFORMANCE AGAINST HM TREASURY'S PSA TARGET 10**

SR2000 PSA Target	Performance Indicator	Progress
By 2002-2003, deliver £1 billion of savings in government procurement through the Office of Government Commerce.	Value for money gains reported by central civil government bodies.	On target. £815 million reported gains in first 2 years of 3-year target period. It is expected that the target will be achieved for the full three-year period. Gains for the 3rd year will be assessed during 2003-2004.

**TABLE 5.4: OFFICE OF GOVERNMENT COMMERCE PERFORMANCE AGAINST TARGETS 2002-2003**

OGC Target	Latest Outturn
1. In order to maintain and enhance the quality of Gateway reviews, we will continuously evaluate Gateway processes and procedures (including their scope and coverage) in the light of Public Accounts Committee/National Audit Office (PAC/NAO) recommendations, changing demands, and the vfm audit. The initial evaluation review will be completed by September 2002.	Achieved
2. By September 2002 to put in place a benchmark framework of successful delivery skills supported by a development programme to enable departments to improve the competence of their commercial practitioners and others, to successfully deliver complex and major projects.	Achieved
3. Establish a common view, in consultation with Chief Executive Advisory Group (CEAG), Supervisory Board and Ministers as appropriate, on the Government's strategy towards each of the key suppliers to central civil government by March 2003.	Achieved

TABLE 5.4: OFFICE OF GOVERNMENT COMMERCE PERFORMANCE AGAINST TARGETS 2002-2003

OGC Target	Latest Outturn
4. By July 2002 to make recommendations to ministers for taking significant time out of major procurements and, if accepted, to agree an action plan by 30 September 2002.	Achieved
5. Agree a revised e-procurement strategy with CEAG, Supervisory Board and ministers by October 2002 which will generate at least £250million of vfm improvements across central civil government in the SR2002 period.	Achieved
6. Following the pilot phase in the first quarter of 2002-2003, OGC will roll out to departments by September 2002 a Capability Maturity Assessment model. In providing evidence for self-assessment under this model, departments will be able to utilise capability tools for IT and construction projects developed under SPRITE and Achieving Excellence, respectively.	Achieved Capability Maturity Assessment model made available to departments in February 2003.
7. By March 2003 to deliver a toolkit to help departments assess the capability of suppliers to deliver on long-term contracts.	Part achieved. Tender evaluation workbook available. Extended scope agreed for procurement lifecycle – new targets set for 2003-2004.
8. To provide a high quality web-based PFI knowledge management system (made available to the entire public sector) comprising a database of information about PFI projects and market participants and an interactive forum for the exchange of information throughout central and local government PFI communities by end September 2002.	Achieved
9. By March 2003 to deliver up to five new and updated OGC Best Practice products to the requirements set by departmental senior management via the Chief Executive and the Supervisory Board; and 11 new and updated OGC Guidance within programmes prioritised by OGC's customer departments.	Achieved
10. Six or more collaborative projects to go live by 31 March 2003 to deliver estimated vfm improvements for the wider public sector for the three year period starting April 2003, of £250 million or more.	Achieved
11. Develop a Customer Focus Action Plan in response to the first CARE survey by September 2002 and complete remaining customer management tasks by January 2003.	Part achieved. Customer Focus Action Plan implemented. Initial findings of the 2002-2003 CARE survey indicate that the satisfaction target has not been achieved. This reflects OGC's position as a young organisation undergoing a transition phase in preparation for implementing its medium-term Strategy.

## ACHIEVEMENTS

**5.24** In meeting its targets OGC is, in collaboration with departments, implementing a wide range of initiatives to ensure value for money improvements in government's commercial activities that will deliver real benefits to departments. Highlights of OGC performance follow:

**5.25** The Gateway programme has been designed to provide a structured, independent review of large, complex government procurements at critical decision points during the life cycle. As of March 2003, the OGC Gateway team had reviewed 249 separate projects or programmes, covering proposed procurement expenditure in excess of £48 billion. Further information on the OGC Gateway scheme is available from the web site at: <http://www.ogc.gov.uk/index.asp?docid=377>

**5.26** The Successful Delivery Skills Programme, developed by OGC and launched by Sir Andrew Turnbull in September 2002, sets a benchmark standard for skills development across a wide range of government business delivery areas. It identifies the skills required for specific programme and project management roles, provides a managed programme of training and skills development to enable departments to improve the capability to deliver projects effectively.

**5.27** OGC led a pan-government alliance in major negotiations with Oracle resulting in an 11 per cent reduction in future costs of technology products. This will deliver significant benefits through the development of standardised software reducing costly customisation and duplication of development activity.

**5.28** Revision of the European Union procurement rules covering the public sector and utilities was agreed in Brussels, prior to second reading by the European Parliament.

**5.29** The following guidance has been produced for smaller suppliers competing for government business:

*'Tendering for Government Contracts Smaller Supplier... Better Value?'; 'Supplier Financial Assessment Guidance'*

**5.30** OGC's Successful Delivery Toolkit is a single electronic point of reference for procurement policy and best practice to achieve successful business change.

**5.31** The guide 'Management of Risk: Guidance for Practitioners', was published to help improve performance through improved risk management; and the Pocket Book, produced in consultation with HM Treasury, the Prime Minister's Delivery Unit and other central bodies was published to provide senior management with information on planning for successful delivery.

**5.32** Collaboration across central civil government by co-ordinating property events and aggregating workspace demands in the market place identified £38 million value for money gains for departments in 2002-2003.

**5.33** A strategy for a continuing programme to embed the Achieving Excellence Initiative to improve the procurement of construction by central civil government was launched in February 2003. In October 2002, OGC and the Commission for Architecture and the Built Environment (CABE) jointly published the 'Improving Standards of Design in the Procurement of Public Buildings' report.

**5.34** Further details about OGC's achievements in 2002-2003 will be set out in OGC's Business Plan 2003 and in the OGC's Corporate Brochure to be published shortly on OGC's website <http://www.ogc.gov.uk/>.

## PLANS FOR THE FUTURE

**5.35** To deliver the PSA target (£3 billion vfm gains in central civil government procurement), OGC and departments have agreed seven OGC key priorities:

- develop and manage the Gateway process;
- improve the commercial skills available to departments;
- improve government's ability to manage supplier relationships;
- make the government market place more attractive to suppliers in all sectors;
- develop innovative tools and techniques and more effective ways of achieving private sector involvement;
- help departments to embed best practice (including operational guidance) and cross-government lessons learned in their commercial activities; and
- catalyse collaborative opportunities (including aggregation deals).

**5.36** To underpin the collaborative work that will be driven forward by OGC and departments in achieving these priorities, a Joint Action Plan has been drawn up with central civil government departments. The Joint Action Plan (JAP) sets out the actions that will be driven by OGC and departments in support of each of the key priorities, and will be published as part of OGC's Business Plan for 2003-2004.

## HUMAN RESOURCES

**5.37** Recruitment to new posts is carried out on the basis of fair and open recruitment and selection on merit, in accordance with the guidance provided by the Civil Service Commissioners. Details of current vacancies are available on the OGC web site at: <http://www.ogc.gov.uk/index.asp?id=1789>.

**5.38** OGC have looked to address the targets set out in Revitalising H&S Strategy in the creation of a modern working environment in the refurbishment of its London office. Other initiatives have continued focusing on reducing the number of days lost from work-related injury and ill health, improvement in air

quality and increasing the number of breaks away from IT equipment.

## MODERNISATION

**5.39** OGC's commercial improvement agenda is itself a major contributor to sustainable development. By helping central civil government to improve service delivery and by making procurement more efficient, OGC is contributing to economic

growth and helping to achieve long-term benefits for the economy. OGC and OGCbuying.solutions officials have also been involved in the Cross Departmental Sustainable Procurement Group.

**5.40** The OGC Business Plan contains more information about OGC modernisation plans and achievements and can be found at <http://www.ogc.gov.uk/index.asp?id=2298>.