

# Bank of England Report and accounts 1983



# Bank of England

## Report and accounts for the year ended 28 February 1983

*Issued by Order of the Court of Directors 30 June 1983*

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## Court of Directors

28 February 1983

The Rt Hon Lord Richardson of Duntisbourne KG MBE TD PC *Governor*  
Christopher William McMahon *Deputy Governor*

George Blunden\*  
Sir George Adrian Hayhurst Cadbury  
Sir Robert Anthony Clark DSC  
John Martin Clay  
Leopold David de Rothschild  
Geoffrey Ayrton Drain CBE  
Edward Alan John George\*  
Sir Jasper Quintus Hollom KBE  
Sir Hector Laing  
Anthony David Loehnis\*  
The Rt Hon Lord Nelson of Stafford  
Sir Lionel Alexander Bethune (Alastair) Pilkington FRS  
David Gerald Scholey CBE  
Sir David Edward Charles Steel DSO MC  
David Alan Walker\*  
The Rt Hon Viscount Weir

In December 1982 it was announced that the Queen had been pleased to approve that Robin Leigh-Pemberton Esq be appointed Governor of the Bank of England in succession to the present Governor, whose term of office expires on 30 June 1983.

The terms of office of Mr Clay and Mr de Rothschild expired on 28 February; the Hon Sir John Baring CVO and Mr Alan Lord CB were appointed in their places for a period of four years.

The terms of office of Lord Nelson and Sir Hector Laing also expired on 28 February; they were reappointed for a period of four years.

\*Executive Director

## Executive Directors and senior officials

28 February 1983

### Policy and Markets

**E A J George**  
A L Coleby  
C A E Goodhart  
Ian Plenderleith

J C R Dow  
J S Flemming

**A D Loehnis**  
M J Balfour  
D G Holland CMG  
G M Gill

L D D Price  
G K Willetts

**Executive Director Home Finance**  
Assistant Director *Money Markets Division*  
Chief Adviser *Monetary Policy*  
*Head of Gilt-edged Division*

Adviser to the Governor *Economics*  
Chief Adviser *Economics Division*

**Executive Director Overseas**  
Assistant Director *Territorial Division*  
Chief Adviser *International Division*  
*Head of Foreign Exchange Division*

*Head of Information Division*  
*Head of Financial Statistics Division*

### Finance and Industry

**D A Walker**  
D A Dawkins  
A T Bell

**Executive Director**  
Assistant Director *Financial Supervision—General Division*  
*Head of Industrial Finance Division*

### Banking Supervision

W P Cooke  
Brian Quinn

Associate Director *Head of Banking Supervision*  
Assistant Director *Banking Supervision Division*

### Operations and Services

**George Blunden<sup>(1)</sup>**  
R D Galpin  
D H F Somerset  
G L B Morgan<sup>(2)</sup>  
G L Wheatley

**Executive Director**  
Associate Director *Chief of Corporate Services*  
Chief of Banking Department and Chief Cashier  
Chief Registrar and Chief Accountant  
General Manager *Printing Works*

A J T Williams

Secretary of the Bank

The Rt Hon Lord Benson GBE  
The Rt Hon Lord Croham GCB  
J S Fforde

Adviser to the Governor  
Adviser to the Governor  
Adviser to the Governor

(1) Mr Blunden also has a responsibility for oversight of the Banking Supervision Division.

(2) Following Mr Morgan's retirement, Mr J G Drake was appointed as Chief Registrar and Chief Accountant with effect from 3 April 1983.



*The Report concentrates on activities of the Bank other than domestic monetary policy and external policy; activities in these policy areas have already been described in detail in the Quarterly Bulletin.<sup>(1)</sup> The opening sections contain the usual account of work connected with the stock registers and the note issue; a description of other developments during the year; and a review of internal administration. These are followed by the accounts. The regular report on banking supervision required under the Banking Act 1979 is included as an annex.*

(1) Subscription details for the *Quarterly Bulletin* can be obtained from the Bulletin Group, Economics Division, Bank of England, Threadneedle Street, London EC2R 8AH.

# The stock registers and the note issue

## Management of the stock registers

Transfer activity during the year continued to increase, registrations exceeding those of 1981 (the previous record) by some 9%.

### Transfers registered

Thousands				
Year to end-February	1980	1981	1982	1983
	1,106	1,177	1,158	1,285

The nominal value of British government securities managed by the Bank rose by £5,978 million (7%), although that of other stocks under management continued to fall—by £34 million (3%)—despite a £75 million issue by the European Investment Bank.

The number of British government bearer bonds in issue fell again (by 11%).

### Nominal value of stocks in issue

£ millions	End-February	1980	1981	1982	1983
British government securities:					
Stocks <sup>(a)</sup>		70,794	82,781	89,123	95,108
Bearer bonds		101	80	77	70
		70,895	82,861	89,200	95,178
Other securities:					
Government-guaranteed		254	224	224	224
Commonwealth and Ireland		116	87	71	56
Local authorities		724	664	562	446
Other <sup>(b)</sup>		502	462	464	561
		1,596	1,437	1,321	1,287
<b>Total</b>		<b>72,491</b>	<b>84,298</b>	<b>90,521</b>	<b>96,465</b>

(a) The figures do not include stock on the registers of the Bank of Ireland and the Department for National Savings.

(b) Including stocks of the Agricultural Mortgage Corporation p.l.c., Finance for Industry p.l.c. and stock and bearer bonds of the European Investment Bank.

The number of accounts fell by 3 per cent, the first fall since 1978.

## Number of Accounts

Thousands

	End-February	1980	1981	1982	1983
British government securities <sup>(a)</sup>		2,225	2,274	2,340	2,297
Other securities:					
Government-guaranteed		40	37	35	34
Commonwealth and Ireland		27	22	20	17
Local authorities		91	80	64	49
Other <sup>(b)</sup>		41	35	33	31
		199	174	152	131
<b>Total</b>		<b>2,424</b>	<b>2,448</b>	<b>2,492</b>	<b>2,428</b>

(a) The figures exclude bearer bonds; the number of separate bonds in these years was: 1980: 102,289; 1981: 83,087; 1982: 77,015; 1983: 68,905.

(b) The figures exclude bearer bonds of the European Investment Bank.

## Issues and repayments

### Stocks issued for cash

	Issue price	£ millions nominal
<b>1982</b>		
10 Mar. 12½% Exchequer 1992 <sup>(d)</sup>	£91.125	100 <sup>(a)</sup>
10 Mar. 13½% Exchequer 1994 <sup>(b)</sup>	£101.375	100 <sup>(a)</sup>
10 Mar. 12½% Exchequer 1994 <sup>(d)</sup>	£91.75	100 <sup>(a)</sup>
10 Mar. 12% Treasury 1995 <sup>(d)</sup>	£89.50	100 <sup>(a)</sup>
10 Mar. 14% Treasury 1996 <sup>(b)</sup>	£101.25	100 <sup>(a)</sup>
19 Mar. 2% Index-Linked Treasury 1988	£97.50	750
28 May 12% Treasury 1987 <sup>(e)</sup>	£94.25	200 <sup>(a)</sup>
28 May 11% Exchequer 1991 <sup>(b)</sup>	£86.125	200 <sup>(a)</sup>
28 May 12% Treasury 1995 <sup>(e)</sup>	£92.625	200 <sup>(a)</sup>
9 June 12½% Treasury Convertible 1986	£97.75	750
12 July 11½% Treasury 1985 <sup>(b)</sup>	£97.5625	100 <sup>(a)</sup>
12 July 13% Treasury 1990 <sup>(e)</sup>	£97.875	100 <sup>(a)</sup>
12 July 12½% Exchequer 1992 <sup>(e)</sup>	£97.50	100 <sup>(a)</sup>
12 July 12½% Exchequer 1994 <sup>(e)</sup>	£98.75	100 <sup>(a)</sup>
12 July 12½% Treasury 1995 <sup>(e)</sup>	£98.25	100 <sup>(a)</sup>
12 July 12% Exchequer 1998 <sup>(e)</sup>	£94.25	100 <sup>(a)</sup>
21 July 11½% Treasury 1989 <sup>(e)</sup>	£92.625	300 <sup>(a)</sup>
21 July 12% Exchequer 1998 <sup>(d)</sup>	£96.125	300 <sup>(a)</sup>
3 Aug. 12% Treasury 1987 <sup>(d)</sup>	£99.625	500 <sup>(a)</sup>
19 Aug. 10½% Exchequer 1987	£98.75	800
26 Aug. 2½% Index-Linked Treasury 2001	£94.00	250
29 Sept. 10½% Exchequer 1988	£97.00	1,250
11 Oct. 9½% Treasury 1988	£96.25	750 <sup>(a)</sup>
14 Oct. European Investment Bank 11% 2002	£97.91	75
19 Oct. 2½% Index-Linked Treasury 2009	£98.50	400 <sup>(a)</sup>
27 Oct. 2½% Index-Linked Treasury 2003	£98.00	250
4 Nov. 8½% Treasury Convertible 1985	£100.25	1,000
10 Dec. 2% Index-Linked Treasury 1988 <sup>(b)</sup>	£104.50	250 <sup>(a)</sup>



# Stocks issued for cash continued

## 1983

6 Jan.	2½% Exchequer 1987	£84.00	500
19 Jan.	2½% Index-Linked Treasury 2016	£99.00	750
17 Feb.	10½% Exchequer 1987 <sup>(b)</sup>	£98.50	750
<b>Total</b>			<b>11,325</b>

(a) Full amount issued to the Bank of England and the stock subsequently made available to the market through the Government Broker.

(b) Second tranche.

(c) Third tranche.

(d) Fourth tranche.

(e) Fifth tranche.

## Other issues of stock

	£ millions nominal
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### In exchange for 12% Exchequer Convertible 1985:

#### 1982

22 Mar.	13½% Exchequer 1992 (at 98%)	0.71
22 Sept.	13½% Exchequer 1992 (at 97%)	528.95

### In exchange for 12½% Treasury Convertible 1986:

#### 1983

14 Jan.	13% Treasury 2000 (at 97%)	467.47
<b>Total</b>		<b>997.13</b>

## Repayments at par

	£ millions nominal
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#### 1982

16 Mar.	14% Treasury 1982	599.92
31 Mar.	British Overseas Airways 2½% 1977/82	4.86
25 May	Greater London 12½% 1982	75.00
15 June	Variable Rate Treasury 1982	399.99
5 July	8½% Treasury 1982	799.86
15 July	Corporation of London 6½% 1980/82	16.00
10 Aug.	Malaysia 7½% 1978/82	5.19
28 Aug.	Agricultural Mortgage Corporation 4½% 1977/82	1.39
15 Sept.	Southern Rhodesia 4½% 1977/82	0.16
15 Sept.	Southern Rhodesia 4½% 1977/82 'Assented'	5.29
16 Sept.	Agricultural Mortgage Corporation 9% 1979/82	10.00
22 Sept.	9½% Exchequer 1982	1,599.63
15 Oct.	Greater London 9½% 1980/82	25.00
14 Nov.	New Zealand 5½% 1978/82	2.91

#### 1983

5 Jan.	8½% Exchequer 1983	799.95
15 Feb.	British European Airways 3% 1980/83	6.00
15 Feb.	British Overseas Airways 3% 1980/83	15.67
21 Feb.	3% Exchequer 1983	999.12

**Total 5,365.94**

## European Investment Bank

In October 1982 the Bank managed the issue of a £75 million loan stock for the European Investment Bank. Although the EIB is a regular borrower in the international capital markets, this was their first public issue in the domestic sterling market.

The Bank's participation in this inaugural issue by the EIB reflects its close relationship with that institution; over the years the Bank has acted as manager and registrar for a number of the stock issues of its customers and other borrowers with whom it has a particular relationship.

## Local authority bonds

During the year twenty-six issues of local authority short-term bonds, totalling £37 million nominal, were managed by the Bank; thirty-two issues, totalling £53 million, were redeemed.

## Gilt-edged settlements

Significant progress was made during the year towards the introduction of the computer-based transfer and settlement system referred to in previous Reports. The system, to be known as the Central Gilt Office Service, is being developed in conjunction with The Stock Exchange, who will provide the terminal network. Statutory framework for the service was provided during the year by the Stock Transfer Act 1982.

## The note issue

The note issue was £11,008 million at the end of February 1983, £253 million (2¼%) larger than a year earlier. The annual seasonal peak, of £12,248 million, was reached immediately prior to Christmas.

## Value of notes in circulation by denominations

£ millions	End-February	1980	1981	1982	1983
£1		704	673	657	641
£5		3,540	3,343	3,097	2,850
£10		3,610	4,043	4,298	4,531
£20		1,419	1,686	1,833	1,874
£50		—	—	274	633
Other notes <sup>(a)</sup>		489	556	596	479
<b>Total</b>		<b>9,762</b>	<b>10,301</b>	<b>10,755</b>	<b>11,008</b>

(a) Includes certain higher value notes used internally in the Bank, eg as cover for the note issues of banks of issue in Scotland and Northern Ireland in excess of their permitted fiduciary issues. Also includes 10 shilling notes (last issued in 1969) still outstanding; the figure for February 1983 includes £6 million of such notes.

The trend of recent years for growth to be confined to higher value notes continued. The £20 and £50 notes together accounted for 23% by value of the



# Number of new notes issued, by denominations

Millions

Year to end-February	1980	1981	1982	1983
£1	969	893	780	728
£5	585	661	644	622
£10	230	247	219	230
£20	35	44	39	34
£50	—	—	6	9
<b>Total</b>	<b>1,819</b>	<b>1,845</b>	<b>1,688</b>	<b>1,623</b>

notes in circulation in February 1983 against 20% a year earlier and the £10 for 41% against 40%. The £1 note again accounted for 6% by value of the notes in circulation.

The clearing banks and other large users of notes continued to co-operate by drawing, when practicable, used notes and thus reducing their requirements for new notes; this was achieved despite increasing demands for new notes for use in automatic cash dispensers.



## Other developments

### Emergency Laws (Re-enactments & Repeals) Act 1964

The Bank agreed to act as agent for the Treasury in the administration of restrictions imposed on 3 April 1982 by Treasury Directions under the Emergency Laws (Re-enactments and Repeals) Act 1964 as a consequence of the Falkland Islands crisis. The Directions prohibited, except with permission, compliance with orders given by the Argentine government or Argentine residents, in so far as such orders required payments to be made or certain other financial transactions to be effected. These restrictions were removed at midnight on 14 September 1982.

### International support operations by the Bank for International Settlements

During the year the Bank for International Settlements, with the support of a number of central banks, provided special short-term bridging loans to the central banks of several countries facing external financing difficulties. These loans were made by the BIS from its own resources, but with a right of recourse to participating central banks. During the year the Bank of England agreed to accept commitments in respect of such loans to the central banks of Hungary, Mexico and Brazil, in the latter two cases subject to indemnities provided by the Treasury.<sup>(1)</sup>

### The Algerian escrow account

As a consequence of the negotiations which took place in January 1981 for the release of the US citizens detained in Iran, the Bank continues to hold certain US dollar deposits on behalf of the Banque Centrale d'Algerie, as escrow agent, pending the resolution of outstanding differences between Iran and the American commercial banks concerned. During the year, settlement of some of these

differences led to a number of transfers from the escrow account.

### Balances on the National Loans Fund account

The Finance Act 1982 amended the National Loans Act 1968 to allow the Treasury to borrow, where necessary to maintain sound monetary conditions, even if such borrowing causes funds to be accumulated in the National Loans Fund in excess of the working balance previously permitted under the 1968 Act. Such funds will be held as balances in the Fund's account with the Banking Department of the Bank, which will in turn employ them, where necessary, to provide cash to the money market. Such an excess balance was first held on 25 October 1982 and it reached a peak of over £2,420 million in February (but had run off by 28 March). Some £25 million has been paid to the National Loans Fund as interest on these deposits in respect of the period to 28 February 1983.

### Joint support operations ('The lifeboat')

The special committee of the Bank and the London and Scottish clearing banks continued to meet from time to time; only one active company was still receiving support under these arrangements during the year.

### Select Committee on the Treasury and Civil Service

The Bank has continued to assist the work of this Committee by providing oral and written evidence, including memoranda. The Governor, accompanied by Bank officials appeared before the Committee in March 1982 in the course of their enquiry into the 1982 Budget. Oral evidence was given to the Committee by Mr Loehnis and officials in June and by the Deputy Governor and Mr W P Cooke in January of this year in the course of their enquiry into international monetary arrangements.

(1) Subsequent to the year end, the Bank has also undertaken a commitment in respect of a similar facility to the central bank of Yugoslavia.



During the year, Bank officials have also given evidence to other Select Committees in the House of Lords and the House of Commons.

### Corporate finance

During the year the Bank participated on a number of occasions in discussions between companies and the banks and other financial institutions with a view to assisting, through its good offices, the resolution of financial problems. The Bank is not itself involved as a lender in such cases.

### Panel of academic consultants

The panel of academic consultants which meets regularly under the chairmanship of Professor Robin Matthews to discuss economic issues held two meetings during the year, as shown below:

Date	Topic covered
27 April	<i>The economics of the North Sea</i> The panel discussed the extent to which the United Kingdom had benefited from the North Sea discoveries of oil and gas, and the effects changes in their world prices had had or were likely to have on national economic performance. <sup>(1)</sup> The panel also considered how to evaluate depletion policies, and the use of revenues generated by North Sea development.
9 July	<i>Bank lending, monetary control and funding policy</i> A paper by Professor Andrew Bain 'Structural imbalance in the UK financial markets' <sup>(2)</sup> argued that there was a surplus of long-term funds matched by a corresponding deficiency of short and medium-term finance,

which was unlikely to be resolved by market forces. The paper concluded that a need for public sector refinancing of bank lending seemed likely to continue. The panel considered this analysis and the possible implications for financial policy.

### Review of banking statistics

The review mentioned in last year's report was completed in the autumn and most of the changes agreed with the British Bankers' Association have now been implemented. In addition, some 180 of the smaller institutions in the monetary sector are being brought into the revised statistical reporting framework. A detailed account of the review is given in an article on page 69 of the March 1983 *Quarterly Bulletin*.

### Building societies' statistics

After consultations with the Building Societies Association and the Central Statistical Office, responsibility for the production of building societies' official financial statistics has been transferred from the CSO to the Bank.

### Publications

The publication "All About the Bank", first issued in 1981, has been revised to take account of recent changes. It is available to the public at an inclusive charge of 50p per copy.

A new 'Technical Series' of Discussion Papers was started to cover research work devoted mainly to revising and updating the Bank's various economic models. An Occasional Paper was published in February entitled "Company reorganisation: a comparison of practice in the United States and the United Kingdom". These are available from the address on page 5.

(1) A paper, which was the basis of the discussion, was published in the March 1982 *Quarterly Bulletin*, pages 56-73.

(2) This paper was published as Panel Paper No 19.



## Internal administration

### Numbers of staff

During the year further reductions identified in a review of the Bank's service areas were implemented. The average number of employees throughout the Bank during the year was 5,850—300 fewer than in the previous year. Their aggregate remuneration amounted to £57.5 million.

At 28 February 1983, the full-time staff of the Bank numbered just under 5,200; in addition nearly 600 were employed part-time. The table below (which includes half the total of part-time staff, who work either alternate weeks or part-days each week) shows how they were distributed and illustrates the successive reductions in numbers since Exchange Control was abolished in 1979.

### Staff wastage and recruitment

With natural wastage still very low, a staff reduction of 275 was facilitated by voluntary severance schemes. Scope for recruitment, although again very limited, was larger than the previous year; and was increased by the early retirement of more than twenty older

staff under the government-sponsored Job Release Scheme, creating vacancies for a similar number of school leavers. The banking staff intake included thirteen graduates, sixteen with 'A' levels, seventy-two with 'O' levels and ten with skills relevant for typing work; certain other specialist appointments were made, including some on short-term contract. In addition, thirty-six part-time staff were recruited for the Bank's cheque clearing operations.

### Secondments

The number of staff seconded to other institutions has continued to increase:

#### Seconded staff at end-February

	1981	1982	1983
<b>UK secondments</b>			
Government departments and public bodies	2	6	10
Council for the Securities Industry	11	11	10
Other (mainly City institutions)	3	9	10
<b>Total UK</b>	16	26	30
<b>Overseas secondments</b>	21	22	25
<b>Total</b>	37	48	55

#### Staff numbers at end-February

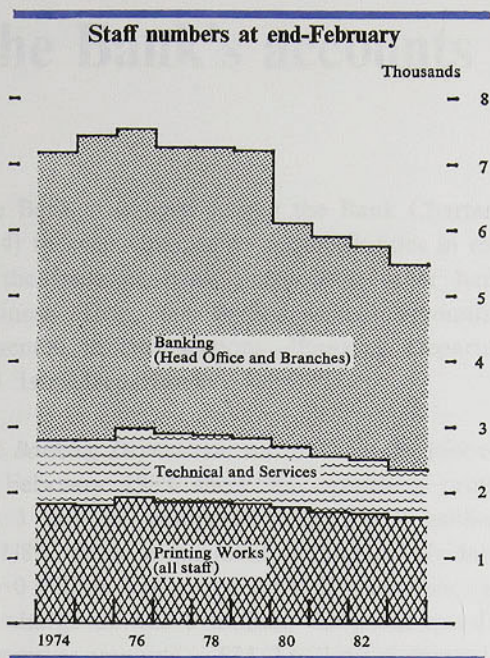
	1979 <sup>(a)</sup>	1980 <sup>(a)</sup>	1981	1982	1983	Total change 1979-1983
<b>Banking staff</b>						
Policy and Markets area				325	325	
Finance and Industry area	450	475	450	50	50	—
Banking Supervision Division				75	75	
<b>Operations:</b>						
Exchange Control (all locations)	775	—	—	—	—	— 775
Banking Department—Head Office	700	650	675	675	700	—
Branches	275 <sup>(b)</sup>	275	275	250	225	— 50
Registrar's Department	1,075	950	975	925	875	— 200
Corporate Services Department <sup>(c)</sup>	1,000	975	900	850	800	— 200
Seconded and unallocated staff	100	75	75	100	75	— 25
<b>Total banking staff (other than at the Printing Works)</b>	4,375	3,400	3,350	3,250	3,125	— 1,250
<b>Technical and services staff</b>	1,000	925	850	825	725	— 275
<b>Printing Works (all staff)</b>	1,825	1,775	1,700	1,675	1,625	— 200
<b>Total</b>	<b>7,200</b>	<b>6,100</b>	<b>5,900</b>	<b>5,750</b>	<b>5,475</b>	<b>— 1,725</b>
<b>Change in total staff compared with:</b>						
Previous year		— 15%	— 3%	— 3%	— 5%	
February 1979 (cumulative)		— 15%	— 18%	— 20%	— 24%	

(a) In these years staff numbers have been redistributed for consistency with later years' data following the reorganisation of the Bank on 1 March 1980 (described in the 1980 *Annual Report*, pages 19-22); 1980 figures exclude over 500 staff due to leave on 1 March (*ibid*, page 22).

(b) Excluding Branch Staff engaged on exchange control work in 1979.

(c) Includes support staff working in the Policy and Markets, Finance and Industry, and Banking Supervision areas.





New secondments included attachments to the London International Financial Futures Exchange, Finance for Industry and the Crown Agents.

At the end of February 1983, six staff were seconded to the Bank from other institutions, compared with two a year earlier. Of these, four were from government departments, one from a firm of accountants and one from the Reserve Bank of New Zealand.

#### Youth Opportunities Programme

About thirty young people were given work experience and training—some at Head Office, some at the Printing Works—under the Youth Opportunities Programme sponsored by the Manpower Services Commission. A number of them were subsequently able to fill vacancies that had by then arisen in the Bank and others are known to have found work elsewhere.

#### Employment of the disabled

The Bank welcomes applications for jobs from disabled persons and gives such applications full and

fair consideration, taking account of the individual's educational qualifications, aptitudes and capabilities. In assessing their capabilities, it is necessary to bear in mind the nature and structure of the Bank's accommodation. The Bank also does its utmost to continue the employment of those who become disabled while on the Bank's staff and, where applicable, arranges appropriate training for them.

The Bank recognises the need for career progression and promotion for disabled persons, and they have the same opportunities for progress as other members of the staff, depending on their skills and abilities.

#### Cash limits

Expenditure on three of the services which the Bank provides to the Government—the note issue, and management of the national debt and of the Exchange Equalisation Account—is included in the programme of cash limits on public expenditure. The outturn for 1982/83 was £72.6 million compared with a cash limit of £73.5 million.

The cash limit for 1982/83 had been set at £78.2 million. It was adjusted following the reduction in national insurance surcharge announced in November, and again when it was decided that charges for the management of the national debt and the Exchange Equalisation Account should no longer attract value added tax following a redefinition by HM Customs and Excise of the VAT status of these services.

The 1983/84 cash limit for all three services has been set at £77.9 million.

#### Computer developments and office automation

Computers in the Head Office centre have been improved and a new computing facility established for the Bank's cheque clearing operation. A group has also been established to facilitate the installation of micro computer systems.