

Bank of England Report and accounts 1987



Bank of England

Report and accounts for the year ended 28 February 1987

Issued by Order of the Court of Directors 7 May 1987

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Court of Directors

28 February 1987

The Rt Hon Robert Leigh-Pemberton *Governor*
George Blunden *Deputy Governor*

Dr David Valentine Atterton CBE
The Hon Sir John Francis Harcourt Baring CVO
Sir George Adrian Hayhurst Cadbury
Frederick Brian Corby
Rodney Desmond Galpin*
Edward Alan John George*
Sir Robert Haslam
Sir Martin Wakefield Jacomb
Sir Hector Laing
Gavin Harry Laird
Anthony David Loehnis*
The Rt Hon Lord Nelson of Stafford
Sir David Gerald Scholey CBE
David Alan Walker*
Deryk Vander Weyer CBE
Sir Leslie Clarence Young CBE

Sir Martin Jacomb was appointed a Director from 19 May 1986 until 28 February 1987 in place of Mr Alan Lord CB who resigned on 28 February 1986; on expiry of his term of office, Sir Martin was reappointed for a period of four years.

The term of office of Lord Nelson expired on 28 February; Sir Colin Ross Corness was appointed in his place for a period of four years.

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

G A Croughton: Secretary of the Bank

* Executive Director

Foreword

The past year has seen very significant changes in the structure and functioning of financial markets and institutions. As described in last year's *Annual Report*, the Bank has been closely involved in these changes, and this has entailed an exceptionally active period of work on which we can all look back with satisfaction. A particular achievement was the introduction of new dealing and settlement arrangements in the gilt-edged market, and I am pleased to say that implementation, both at the time of Big Bang in October 1986 and subsequently, has gone very smoothly.

Supervision of the financial institutions has continued to be one of the Bank's major preoccupations. The systems devised earlier for supervision of the gilt-edged market makers, money brokers and inter-dealer brokers are now fully effective. In addition the Financial Services Act provides for supervision by the Bank of the wholesale markets in sterling, foreign exchange and bullion; this will be undertaken by a new Division. We now await enactment of the Banking Bill which has recently been passing through Parliament and which will give us new powers in the field of banking supervision. Anticipating the new legislation, a major development this year has been the appointment of the Board of Banking Supervision, whose outside members are already bringing to the top of the Bank advice drawn from extensive experience of the banking industry.

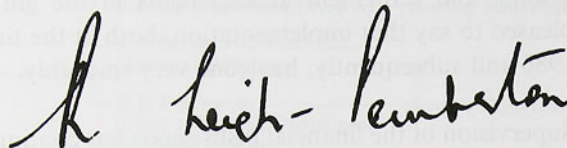
In the new regulatory environment, effective co-ordination between regulators will be important. The Bank maintains close contact with the Securities and Investments Board to try to ensure that our respective systems do not strain against each other. The concept of lead regulator is being developed for institutions whose activities will be covered by more than one supervisor. International co-operation is equally necessary in the supervision and regulation of market participants. In this context I was very pleased to report during the year our agreement with the federal banking regulators in the United States on proposals for common definitions of capital and capital ratios. I hope that our agreement will point the way to a more general convergence of international practice.

Sadly, during the year we had to recognise that the work available for our branches in Liverpool and Southampton no longer justified keeping them, and they were closed in November. Industrial liaison will however continue in both areas.

Lord Nelson retired as a non-executive Director at the end of the year having been a member of the Court since 1961—the longest period of service by any Director since the war. During that time he worked with four Governors, and I am sure that I speak for them all in acknowledging his invaluable service to

the Bank. In his place I welcome Sir Colin Corness, and I am pleased to say that Sir John Baring, Sir Martin Jacomb and Sir Hector Laing have been reappointed to the Court. The changes in the responsibilities of the Executive Directors, which took effect from 1 January 1987, are set out in the organogram on page 4.

Finally, I again wish to pay tribute to the staff of the Bank, who have continued to meet the changing needs of the organisation with undiminished skill and enthusiasm. The process of change is seldom comfortable, and I welcome their willingness to adapt to new circumstances.

A handwritten signature in dark ink, reading "Nicholas Leach-Pemberton". The signature is fluid and cursive, with the first name "Nicholas" written in a more compact, stylized script, and the last name "Leach-Pemberton" written in a more extended, flowing script.

Governor of the Bank of England

Gilt-edged management

The new structure of the gilt-edged market

The gilt-edged market started operating within its new structure, as planned, on 27 October 1986 along with the other changes in The Stock Exchange known as Big Bang.

In the months prior to Big Bang the Bank oversaw a period of transition in the gilt-edged market during which prospective participants in the new structure were able to gain some experience of dual-capacity trading within the existing market structure. Shortly before Big Bang, the Bank and The Stock Exchange arranged two full-scale 'dress rehearsals' in which market participants were able to test their systems as a whole in a full cycle of simulated trading, reporting, settlement and financing.

The new market structure has so far proved to be a success. In the new structure the Bank has taken on two new areas of responsibility:

- (i) Official operations in the gilt-edged market are now carried out directly by the Bank's own gilt-edged dealing room, which has been set up in the Gilt-Edged Division; previously official operations were conducted for the Bank by Mullens & Co. In September 1986 the Bank issued a paper (reprinted in the December 1986 *Quarterly Bulletin*, pages 569-74) setting out in detail how it would conduct official market operations in the new market structure.
- (ii) Since Big Bang the Bank has been responsible for the prudential supervision of the 27 market makers, 9 Stock Exchange money brokers and 6 inter-dealer brokers operating in the gilt-edged market. The Bank's supervisory arrangements in this area are set out in the Bank's 'blue paper'—'The future structure of the gilt-edged market'—published in April 1985.

In April 1987, following consultations with the market, the Bank issued a paper setting out arrangements for an experimental series of auctions covering a part of the Government's funding through conventional stocks; the first auction was planned for mid-May, with decisions on further auctions to be taken in the light of experience with the first.

Gilt-edged settlements

The second phase of the computer-based transfer and settlement system (the Central Gilts Office Service) was inaugurated on time on 27 October. It entailed two separate but related changes: an expansion of the membership (from 46 to 68) to include the new market makers and the inter-dealer brokers; and the introduction of a considerable range of new facilities. Of these, the most important was the introduction of a system for the generation of irrevocable assured payments simultaneously with the movement of stock between CGO accounts. Further details may be found in an article on page 80 of the February 1987 issue of the *Quarterly Bulletin*.

Since inauguration, the Phase 2 Service has run smoothly and has proved its capacity to deal with significant increases in work volumes. In the former clerical office, the average number of transfers in the year before implementation of the CGO Service on 2 January 1986 was 3,710 per day, all involving completion of stock transfer forms. From the introduction of the CGO Service until Big Bang the daily average rose slightly to 3,910, of which 2,850 involved stock transfer forms and 1,060 were electronic transfers. After Big Bang, transfer activity rose markedly, with electronic transfers expanding almost threefold: the average daily number of transfers from 27 October 1986 to 27 February 1987 was 5,620, of which 2,640 involved stock transfer forms and 2,980 were electronic transfers.

Management of the stock registers

Transfer activity rose by 23% during the year.

Transfers registered

Thousands	1984	1985	1986	1987
Year to end-February	1,072	1,030	991	1,219 ^(a)

(a) Of which, transactions in electronic form through the Central Gilts Office system amounted to 427 (35%).

The nominal value of British government securities managed by the Bank rose again, by £4,953 million (4%) to £130,687 million. Other securities under management fell by £149 million (12%) to £1,050 million, because of the redesignation of British Gas 3% Guaranteed Stock 1990/95 as a British government stock under the terms of the Gas Act 1986. Without this change of category, other stocks would have risen by £65 million (7%).

Nominal value of securities in issue

£ millions

End-February	1984	1985	1986	1987
British government securities:				
Stocks ^(a)	105,028	115,540	125,672	130,612
of which, index-linked	6,762	8,124	9,267	11,517
Bearer bonds	57	60	62	75
	105,085	115,600	125,734	130,687
Other securities:				
Government-guaranteed ^(b)	224	224	224	10
Commonwealth	50	44	40	28
Local authorities	238	187	145	143
Agricultural Mortgage Corporation p.l.c.	480	539	545	532
European Investment Bank ^(c)	72	171	200	292
Other	45	45	45	45
	1,109	1,210	1,199	1,050
Total	106,194	116,810	126,933	131,737

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

(b) On 24 August 1986, by virtue of the Gas Act 1986, British Gas 3% Guaranteed Stock 1990/95 was renamed 3% Exchequer Gas Stock 1990/95 and is now included as a British government stock.

(c) Stock and bearer bonds.

For the fifth year running, the number of accounts fell, by 6% this year to 2,109,000.

Number of accounts

Thousands

End-February	1984	1985	1986	1987
British government securities ^(a)	2,245	2,241	2,169	2,068
Other securities:				
Government-guaranteed ^(b)	32	31	30	—
Commonwealth	15	14	13	8
Local authorities	33	23	20	19
Other ^(c)	27	21	18	14
	107	89	81	41
Total	2,352	2,330	2,250	2,109

(a) Excluding bearer bonds; the number of separate bonds in these years was: 1984:53,816; 1985:55,392; 1986:55,134; 1987:58,008.

(b) Including British Gas 3% Guaranteed Stock 1990/95 in 1984-86.

(c) Excluding bearer bonds of the European Investment Bank.

Issues and repayments

There were ten issues by tender (seven last year); fifty-two issues direct to the Bank (thirty-nine last year); and eleven conversion operations (fourteen last year).

Thirteen stocks (114,000 accounts) were redeemed, compared with eleven stocks (69,000 accounts) last year.

Repayments at par

	£ millions nominal
1986	
11 Apr. 10% Treasury Convertible 1986	690.24
19 May 10½% Exchequer Convertible 1986	1,098.26
19 May 3% Treasury 1986	798.43
12 June 12% Treasury 1986	1,149.18
15 June New Zealand 7½% 1983/86	11.52
10 July 8½% Treasury 1984/86	597.74
14 July 12¼% Treasury Convertible 1986	0.42
16 Sept. Agricultural Mortgage Corporation p.l.c. 9½% Debenture 1983/86	20.00
29 Oct. 14% Exchequer 1986	999.89
21 Nov. 2½% Exchequer 1986	649.48
1987	
22 Jan. 13¼% Exchequer 1987	1,249.49
10 Feb. 10½% Treasury Convertible 1987	997.99
24 Feb. 2½% Exchequer 1987	898.62
Total	9,161.26

Issue of UK Government floating-rate notes

In September 1986 the Bank organised, on behalf of HM Treasury, a further issue of \$4 billion of floating-rate notes (FRNs) by the United Kingdom.

(A similar issue of \$2.5 billion of FRNs was made in September 1985.) The issue was the largest to date in the international capital markets; the notes carried a coupon of LIBID less $\frac{1}{8}\%$ and a final maturity of 10 years.

Local authority negotiable bonds

During the year eleven issues of negotiable bonds by local authorities, totalling £8.50 million nominal, were managed by the Bank; thirteen issues, totalling £10.25 million, were redeemed.

Supervision and regulation⁽¹⁾

Money and wholesale markets

The passage of the Financial Services Act 1986 had significant implications for the Bank and necessitated a change in its organisational structure. A new Division, the Wholesale Markets Supervision Division, has been established to bring together the Bank's supervisory responsibilities for the wholesale markets in sterling, foreign exchange and bullion. These responsibilities include the supervision of the discount houses, under the Banking Act, previously undertaken in the Money Markets Division. Much of the rest of the new Division's work derives from the Financial Services Act, under which certain wholesale market transactions are exempted from its provisions if undertaken by institutions included on a list kept by the Bank and thus subject to the Bank's supervision. These institutions are to be assessed by the new Division under a 'fit and proper' test, embracing capital adequacy, and their transactions will be subject to a Code of Conduct, in a non-statutory framework. The Bank's supervisory influence is being extended into areas like the bullion market, where many transactions would be outside the scope of the Financial Services Act. A consultative paper describing the proposed regulatory framework was issued jointly by HM Treasury and the Bank in December 1986; a revised paper will be published in due course.

Because of the interaction of the Bank's roles in the supervision of banks, money markets and the

gilt-edged market with those of other supervisors with responsibilities under the Financial Services Act and other legislation, the Bank is discussing with the relevant authorities the co-ordination of their monitoring and enforcement.

City reform and the regulation of financial services

In August 1986, the Governor and the Secretary of State for Trade and Industry jointly made eight new appointments to the Securities and Investments Board on its merger with the former Marketing of Investments Board Organising Committee, increasing the size of the reconstituted Board to eighteen members.

Lloyd's

In February 1986 the Council of Lloyd's appointed Mr Alan Lord as a Deputy Chairman and as Chief Executive to succeed Mr Ian Hay Davison with effect from 1 March 1986. The appointment of Mr Lord as a nominated member of the Council, under the terms of the Lloyd's Act 1982, was made with the approval of the Governor of the Bank of England: Mr Lord resigned as a director of the Bank with effect from 28 February 1986.

The Governor also gave his approval to the appointment by Lloyd's, in March 1987, of four additional nominated members, following the recommendation of an inquiry chaired by Sir Patrick Neill QC.

(1) Other than banking supervision—see page 33.

Banking and the note issue

The note issue

The note issue was £12,846 million at the end of February 1987, £536 million (4.35%) larger than a year earlier.

Towards the end of 1986 it became apparent that the annual peak in the note circulation, which occurs just before Christmas, might exceed the existing statutory limit on the fiduciary issue of £15,000 million. Accordingly, at the request of the Bank, HM Treasury directed, under the Currency Act 1983, that the limit be increased to £16,500 million. In the event, however, the peak was £14,702 million.

Value of notes in circulation, by denomination

£ millions

	End-February	1984	1985	1986 ^(a)	1987
£1		583	528	142	117
£5		2,554	2,426	2,225	2,029
£10		4,846	5,232	5,459	5,633
£20		1,979	2,137	2,310	2,608
£50		909	1,089	1,233	1,475
Other notes ^(b)		586	618	941	984
Total		11,457	12,030	12,310	12,846

(a) The denominational split has been revised slightly since last year's *Report and accounts*.

(b) Includes 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.

The number of £1 notes in circulation with the public has continued to fall but they remain legal tender. £5 notes in circulation have also continued to decline and at the end of February represented only 16% of the total circulation by value compared with 18% a year earlier. The trend towards the higher denominations continued and £20 and £50 notes together accounted for 32% of the circulation by value, compared with 29% at the end of February last year.

There was a decrease of 14% in the total number of new notes issued. Issues of all denominations other

Numbers of new notes issued each year, by denomination

Millions

	Year to end-February	1984	1985	1986	1987
£1		652	678	—	—
£5		625	515	522	457
£10		451	456	526	469
£20		72	86	122	78
£50		9	10	17	18
Total		1,809	1,745	1,187	1,022

than £50 decreased as a consequence of the continued co-operation of the major banks and other large users in economising on their new note drawings. They continued to enlarge their networks of cash dispensers and automated teller machines, but their increasing demands for notes for this purpose were met by a further increase in the automated sorting of used notes by the main note-handling banks and the Bank of England.

Review of banking services law

The Government announced in November 1986 the decision to establish, in co-operation with the Bank of England, an independent review of the law relating to the provision of banking services. The three members of the Review Committee, Professor Robert Jack (Chairman), Mrs Liliana Archibald and Mr Geoffrey Taylor, began work in January 1987.

Payment systems

The Bank continued its close involvement in the development of the new structure of the interbank payment systems, under the Association for Payment Clearing Services. As part of that restructuring, the Bank acquired, after the end of its financial year, a shareholding in BACS Limited. The Bank also played an active role in assisting progress towards the development of a nationwide scheme for electronic funds transfer at the point of sale and Mr R I L Allen, a Deputy Chief of the Banking Department, was appointed Chairman of EftPos UK Limited.

In addition, the Bank continued to participate in work on a possible centralised repository for bearer instruments traded in the sterling money market. After the end of the financial year, the Bank became a member of LondonClear Limited, a company established to develop and implement this project.

Minories Finance Limited

As was foreshadowed in last year's *Report*, Johnson Matthey Bankers Limited (JMB) was renamed Minories Finance Limited (MFL) during the year and continued with the orderly realisation of assets remaining after the completion of the sales of elements of the business to Westpac Banking Corporation, WS Moody Holdings plc and GNI Holdings Limited. Johnson Matthey and Wallace Incorporated was sold in August 1986 and the disposals of MFL's last two trading subsidiaries, Johnson Matthey Commodities Limited and Johnson Matthey Commodities Incorporated were completed in February and March 1987, respectively.

Sales of subsidiaries, coupled with further recoveries and improvements to the MFL loan book, have facilitated three important changes to the Bank's position. First, in May 1986 MFL was able to repay early the £25 million variable-rate subordinated unsecured loan stock subscribed by

the Bank as part of the June 1985 capital reorganisation of JMB. Second, maximum contributions under the £150 million indemnity agreement involving the Bank and a number of banks and members of the London gold market were crystallised at £41.5 million, half of which was borne by the Bank; it is hoped that over the years recoveries will reduce this total. Third, the net worth of MFL, as at its 30 June 1986 year-end, was restored to a level slightly in excess of the Bank's remaining £75 million capital investment.

The Annual Report and Financial Statements of MFL for the year to 30 June 1986 were published in December 1986.

Closure of the Liverpool and Southampton Branches

The Bank's branches in Liverpool and Southampton were closed on 28 November 1986. Both buildings were sold to TSB England & Wales p.l.c.; a number of staff who decided not to accept the Bank's offer of employment at other locations took up employment with the TSB. In both cases the decision to close was a result of declining volumes of work, especially note issue.

Industrial liaison work is continuing in both areas from agencies in Liverpool and Winchester.

Other activities

Financial statistics

Monthly banking and monetary statistics have hitherto been collected for the third Wednesday of each month. This was done because the middle of the month was thought to be more neutral and representative than the end of the month and it seemed advantageous to have reports for the same day of the week in each month. On the other hand, mid-month banking statistics were not compatible with most other economic and financial statistics. End-month returns submitted by the largest 90 or so banks since June 1982 suggested that end-month statistics would not be more volatile than those compiled from mid-month returns. All banking statistics were, therefore, moved to end-months with effect from October 1986 and thus align with returns already collected for the last working day of each calendar quarter. The Bank is grateful to the banks for their advice and co-operation in making this change.

The Bank started publishing two regular press notices during the year. The first, in April 1986, continued the quarterly publication previously undertaken by the Central Statistical Office of the sources and uses of funds of non-monetary-sector financial institutions, and the direction of institutional investment; the other, in January 1987, published the first monthly figures for the developing market in sterling commercial paper.

Panel of Academic Consultants

This year the Panel met on one occasion, on 3 October 1986. The meeting took as the basis for discussion a recent paper by Professor Charles Goodhart, entitled 'What is the purpose of regulating financial services?' Much of the material in this paper is due to be published in the revised edition of Professor Goodhart's book *Money, Information and Uncertainty*.

Select Committees of Parliament

The Bank continued to assist the work of various committees. The Governor, accompanied by Mr E A J George and Mr J S Flemming, appeared before the House of Commons Select Committee on the Treasury and Civil Service in April 1986 during its hearings on the 1986 Budget. Mr A D Loehnis, Mr Brian Quinn and Mr L D D Price appeared before the Committee in June 1986 and Mr Quinn and Mr Price again in December 1986 during its enquiry into international credit and the capital markets. Mr C J Farrow, Mr B W Gunn and Mrs F G Ashworth appeared before the House of Commons Select Committee on Trade and Industry in November 1986 during its enquiry into the tin crisis which followed the failure of the International Tin Council to meet its commitments in October 1985.

Internal administration

Numbers of staff

The average number of employees during the year was 5,380—20 more than in the previous year. Their aggregate remuneration amounted to £72.5 million.

At 28 February 1987, the Bank employed 5,080 full-time and 290 part-time staff; of the total, 150 full-time and 60 part-time staff were engaged on fixed-term contracts. The distribution of staff is shown in the following table (part-time staff are included as appropriate fractions).

Staff numbers at end-February 1987

Banking staff	
Divisions:	
Markets ^(a)	55
International	105
Financial Statistics	105
Economics	55
Information	30
Finance and Industry	50
Banking Supervision	160
Departments:	
Banking—Head Office	695
Branches	205
Registrar's	805
Corporate Services ^(b)	880
Seconded and unallocated staff	130
Total banking staff (other than at the Printing Works)	3,275
Technical and services staff	660
Printing Works (all staff)	1,290
Total	5,225

- (a) Comprises Gilt-Edged, Money Market Operations, Foreign Exchange and Wholesale Markets Supervision Divisions.
(b) Includes support staff working in the divisions.

Staff wastage and recruitment

Banking staff resignations, at 194, continued the upward trend experienced in the previous year. A further 32 staff left under the early retirement scheme established in June 1984 and 81 under selective severance schemes, about half of these as a consequence of the closure of the Liverpool and Southampton Branches.

This wastage and continuing increased demand for banking staff led to higher recruitment than in recent years.

Staff recruitment

Intake in year to end-February	1986	1987
Banking staff:		
Graduate	48	54
A-level	36	68
Junior clerical—permanent	67	158
—contract	48	80
Special appointments (including contract)	8	25
Typing	37	41
Computer	25	29
Other categories	8	8
Total banking staff	277	463
Technical and services staff	17	42
Printing Works	55	50
Total recruitment	349	555

Secondments

The number of Bank staff on secondment during the year increased from 60 to 67; of these, 23 were overseas (with central banks, international institutions, overseas governments and UK missions) and 44 with UK organisations. It is expected that these numbers will remain fairly constant during 1987.

The number of inward secondees rose during the year from 7 to 14 because of more exchanges of staff between the Banking Supervision Division and the clearing banks and firms of accountants.

Social responsibility

The Bank continues its involvement in action for the benefit of the community. It does this partly through its employment policies and partly by other means:

Employment of the disabled

The Bank is pleased to receive applications for jobs from the disabled and considers each application fully and fairly in the light of an

individual's qualifications, aptitudes and capabilities. All disabled employees' progress is monitored carefully so that additional or specialised equipment can be provided whenever a need is identified. The Bank also makes every effort to retain in employment those members of its staff who become disabled.

Equal opportunity

The Bank attaches considerable importance to its role as an equal opportunity employer and, as such, ensures that no job applicants or employees receive less than equal treatment on grounds of sex, marital status, race, colour, religion or disability; care is also taken to ensure that applicants are not disadvantaged by conditions or requirements which cannot be shown to be justifiable. As part of its continuing efforts to make a positive contribution in the field of equal opportunities, the Bank is participating in the Windsor Fellowship Programme. This has been established as a direct result of a consultation, attended by His Royal Highness The Prince of Wales, between leaders of industry and leaders of the black community which took place at Windsor in November 1984 with the aim of developing strategies for the economic development of the black communities. The fellowship involves employers in actively participating in the development of the black undergraduates selected to take part; the Bank will be providing employment and training for their first 'fellow' during the coming summer vacation.

Work experience and links with education

It is planned to repeat last year's experiment of offering work experience to a number of young people from Inner London schools, and also to offer some work-shadowing opportunities. Representatives of the Bank often attend Careers Fairs in Greater London and the Home Counties. During the year the Printing Works forged closer links with local schools,

including a short attachment by two teachers to undertake a project.

Youth Training Scheme

The Bank is participating in the two-year Youth Training Scheme and has applied for Approved Training Organisation status at both Head Office and the Printing Works. Currently 34 trainees are following the training programmes which, for the first time, lead to a recognised vocational qualification. The majority of last year's trainees found jobs, half of them in the Bank itself.

Other

Of the UK secondments noted above, eight were to Enterprise Agencies, Project Fullemploy, Opportunities for the Disabled and Understanding Industry.

Employee participation

The Bank has well-established machinery for consulting and negotiating with employee representatives and union officials through the Bank of England Staff Organisation (BESO), an independent trade union representing nearly 66% of the banking and technical and services staff. At the Printing Works a large majority of the staff is represented by national trades unions.

In addition to regular exchanges during the year on a broad range of staffing matters, special emphasis has been placed on consultation with both BESO and the staff at large as part of the preparatory phase of a major exercise—currently in progress—the object of which is to produce a new and more flexible staff structure and reward system for banking staff. The consultation process has included the issue of special progress bulletins to the staff, management workshops and the establishment of a new forum for the joint discussion of these specific issues by the Bank and BESO.

Cash limits

Expenditure on three of the services which the Bank provides to the Government—the note issue, debt

management and management of the Exchange Equalisation Account—is included in the programme of cash limits on public expenditure. Expenditure on these services in 1986/87 was equal to the cash limit of £82.7 million.

The 1987/88 cash limit for the three services has been set at £86.5 million.

Information systems

As reported earlier, systems required by the new arrangements in the gilt-edged market were successfully inaugurated on 27 October. There were no other major changes in central computing systems, but the general expansion of distributed data processing applications, based on personal computers and 'automated office' systems, has continued. Work has begun on the installation of a major management information system for the Banking Supervision Division. Central computing hardware was further enhanced to cope with increased workloads.

Premises

The work on modernising the engineering services in the Head Office building begun in 1983 will be completed in 1987. As a result of a fire in September 1986, which started in contractors' huts and caused damage to parts of the exterior of the building and some office areas, repairs to stonework and window frames on one façade are necessary and could take about two years to complete.

A major refurbishment of the New Change building has begun, with completion due in 1990. Urgent repair works were put in hand during the year to rectify major structural deterioration in one part of the Bank's Record Office at Roehampton.

Royal visits

During the year the Bank was honoured by visits by Her Royal Highness The Princess Anne and Captain Mark Phillips on 6 October and by Their Royal Highnesses The Duke and Duchess of Gloucester on 13 June.