Bank of England
Report and accounts
1992

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Report and accounts for the year ended 29 February 1992

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Court of Directors

1 March 1992

	Date of first appointment	Expiry date of current appointment
The Rt Hon Robin Leigh-Pemberton, *Governor*	1 July 1983	30 June 1993
Edward Alan John George, *Deputy Governor* *(First appointed to the Court 1 March 1982)*	1 March 1990	28 February 1995
Sir George Adrian Hayhurst Cadbury *(Chairman, PRONED)*	1 March 1970	28 February 1994
Anthony Laurie Coleby *(Executive Director)*	1 March 1990	28 February 1994
Sir Frederick Brian Corby *(Chairman, Prudential Corporation plc)*	1 March 1985	28 February 1993
Sir Colin Ross Corness *(Chairman, Redland plc)*	1 March 1987	28 February 1995
Andrew Duncan Crockett *(Executive Director)*	1 March 1989	28 February 1993
The Rt Hon the Lord Haslam of Bolton *(Chairman, Bechtel Ltd)*	1 March 1985	28 February 1993
Sir Christopher Anthony Hogg *(Chairman, Reuters Holdings plc)*	1 March 1992	29 February 1996
Sir Martin Wakefield Jacomb *(Chairman, POSTEL Investment Management Ltd)*	19 May 1986	28 February 1995
Mervyn Allister King *(Executive Director)*	1 March 1990	29 February 1996
Gavin Harry Laird CBE *(General Secretary, Amalgamated Engineering and Electrical Union)*	1 March 1986	28 February 1994
Sir David Bryan Lees *(Chairman and Chief Executive, GKN plc)*	1 March 1991	28 February 1995
Brian Quinn *(Executive Director)*	1 April 1988	29 February 1996
Sir David Gerald Scholey CBE *(Chairman, S G Warburg Group plc)*	1 March 1981	28 February 1994
Professor Sir Roland Smith *(Chairman, Hepworth plc)*	1 March 1991	29 February 1996
Colin Grieve Southgate *(Chairman, Thorn EMI plc)*	1 March 1991	28 February 1995
Sir David Alan Walker *(Chairman, Securities and Investments Board)*	1 March 1982	28 February 1993

Dr David Atterton CBE retired on 29 February 1992 on completing his term of office: Sir Christopher Hogg was appointed in his place.

The terms of office of Mr King, Mr Quinn and Professor Sir Roland Smith expired on 29 February: they were re-appointed for a further period of four years.

Associate Directors

Hugh Christopher Emlyn Harris (appointed 1 April 1988)
Pendarell Hugh Kent (appointed 1 May 1988)
Ian Plenderleith (appointed 1 March 1990)

G A Croughton: Secretary of the Bank

Organisation of the Bank:

March 1992

- **The Governor** — **The Deputy Governor**
  - **P H Kent** (Associate Director)
    - A W Jarvis (General Manager) — *Printing Works*
    - T A Clark (Head of Division) — *Financial Markets and Institutions Division*
    - M T R Smith (Head of Division) — *Industrial Finance Division*
  - **J P Charkham** (Adviser to the Governor)
  - **Brian Quinn** (Executive Director)
    - R A Barnes (Assistant Director and Head of Banking Supervision) — *Banking Supervision Division*
      - D J Reid (Deputy Head of Division)
      - John Bartlett (Deputy Head of Division)
      - R H Farrant (Deputy Head of Division)
      - T P Sweeney* (Deputy Head of Division)
    - G E A Kentfield (Chief of Banking Department and Chief Cashier)
      - Ms M V Lowther (Head of Division) — *Banking Division*
      - P G Mitchell (Head of Division) — *Banknotes and Security Division*
      - P W Allsopp (Head of Division) — *Payments Systems Division*
  - **A L Coleby** (Executive Director)
    - J S Beverly (Head of Division) — *Wholesale Markets Supervision Division*
    - J C Townend (Head of Division) — *Gilt-Edged and Money Markets Division*
    - W A Allen (Head of Division) — *Foreign Exchange Division*
  - **Ian Plenderleith** (Associate Director)
    - J C Townend (Head of Division) — *Gilt-Edged and Money Markets Division*
    - W A Allen (Head of Division) — *Foreign Exchange Division*
    - D A Bridger (Chief Registrar and Chief Accountant) — *Registrar's Department*
  - **M A King** (Executive Director)
    - J R E Footman (Head of Division) — *Information Division*
    - L D D Price (Head of Division) — *Economics Division*
    - P A Bull (Head of Division) — *Financial Statistics Division*
  - **Sir Peter Petrie** (Adviser to the Governor)
  - **A D Crockett** (Executive Director)
    - Oliver Page (Head of Division) — *Developing World Division*
    - M D K W Foot (Head of Division) — *European Division*
    - C T Taylor (Chief Adviser) — *European Division*
    - A R Latter (Head of Division) — *Industrial World Division*
    - M E Hewitt (Director of Studies) — *Centre for Central Banking Studies*
    - M J W Phillips (Auditor) — *Audit Division*
  - **H C E Harris** (Associate Director)
    - G A Croughton (Secretary of the Bank) — *Secretary's Division*
    - G F J Everett (Head of Division) — *Premises Division*
    - Gordon Midgley (Head of Division) — *Management Services Division*
    - J S Rumins (Head of Division) — *Finance and Resource Planning Division*
    - D A Sharp (Head of Division) — *Personnel Division*
    - David Shilson* (Adviser) — *Officials' Career Development*

* With effect from 21 April 1992, D W Green succeeded T P Sweeney as a Deputy Head of the Banking Supervision Division. Mr Sweeney has in turn succeeded David Shilson as Officials' Career Development Adviser.

Foreword

This has been a busy year for the Bank, and in many respects a significant one. In Europe, decisions were taken that may have far-reaching consequences for the Bank's constitution, responsibilities and functions. The agreement reached at Maastricht last December set out a framework for a future European single currency. The Treaty text initialled by Heads of Government incorporated the statutes of two new monetary institutions: a European Central Bank, which would manage the new currency, and a European Monetary Institute, which would absorb the functions of the present Committee of European Central Bank Governors and prepare the way for the European Central Bank which would replace it. As a member of the Committee of Governors I was closely involved in the preparation of both statutes, and the Committee is now drawing up plans to bring the EMI into being by the target date of January 1994.

All of these developments have involved, and will continue to involve, substantial work on the part of Bank staff, in conjunction with their European colleagues, not only in the monetary field but increasingly in areas such as supervision and payments systems. In due course a number of staff will be seconded to the EMI. And if the United Kingdom becomes part of a monetary union, the Bank would become a part of the European System of Central Banks, of which the ECB would be the policy-making body. It is of course not yet clear how many countries will become part of that union, or when it will happen. The tests of economic convergence are tightly drawn; not all countries will find the tests easy to meet, though the United Kingdom is committed to meet them, and it is very desirable that we should, irrespective of the decision ultimately reached on whether or not to join the Union. Although the United Kingdom has formally reserved that decision until nearer the time, the path leading towards a union is now clearly mapped out; and it involves for the Bank many new challenges.

Later this year a decision will need to be taken by Heads of Government on the most appropriate site for the EMI and the ECB. There is no doubt in my mind that the effectiveness of those institutions would be greatly enhanced if they were located in London, which is the major international financial centre in the European Community. London remains the world's leading foreign exchange centre, and is also the dominant market for ecu deposits and capital instruments, a position reinforced by HM Government's borrowing programme in ecu bills, last year's ecu bond, and the very successful new three-year ecu note programme launched in January this year.

As a consequence of recent changes in Eastern Europe and the former Soviet Union, the Bank has been heavily involved in the provision of training and technical assistance to the former centrally-planned economies. Senior officials have visited a number of countries, including Russia, the Ukraine, Poland and Lithuania to advise on various aspects of policy and on market operations; our new Centre for Central Banking Studies has run courses for over 300 people.

At home, the past year has seen a further sizable reduction in the rate of inflation, as well as in underlying inflationary pressures. This is extremely encouraging, reflecting as it does both the firm counter-inflationary stance of monetary policy over the past few years and, increasingly, the impact on expectations and behaviour of our membership of the Exchange Rate Mechanism. This progress creates the basis for the kind of sustainable economic growth of which we began to see evidence in the mid-1980s. And the ERM has made it possible for us to operate with a lower level of interest rates, in response to improving inflation and weaker activity, probably by more than would have been compatible with preserving a firm exchange rate outside the mechanism.

Progress against inflation has of course not been achieved without consequences for economic activity. Despite sustained cuts in interest rates, the recession which began at the end of 1990 has proved deeper than expected, and has lasted longer. One element in this was the weakening of a number of overseas economies in the latter part of 1991. Another was the continuing after-effects of credit expansion of the late 1980s, which had left many companies and individuals over-extended and anxious to reduce their debt burdens. The weakness of the residential property market both reflected and compounded this effect, and possessions by mortgage lenders both added to the individual costs of the recession and exerted further downward pressure on the market, reinforcing consumers' caution about taking on new commitments.

The recession has intensified pressures on the banking systems in many countries, including the United Kingdom. Industry has experienced liquidity pressures, and some individual companies have had to negotiate new facilities with their bankers, or waivers of covenants, against difficult trading backgrounds. The 'London Approach', which we discussed with the banks in 1990 as a basis for handling individual cases of corporate difficulty, has provided a helpful background to these negotiations, enabling banks to operate under principles and procedures that are widely accepted and understood, and which offer a better chance of preserving value for lenders, shareholders and employees.

Even so, banks have had to make very significant provisions against their domestic lending, both to individuals and to companies, and this has damaged their profitability. Following the closure of BCCI in July 1991, there was some nervousness surrounding banks that were dependent on the market for wholesale deposits, from which there had already been some withdrawal as international banks cut the scale of their intermediation. The Bank kept the positions of such banks under especially close review. These developments, and the Bank's administration of Banking Supervision over the past year, are described in our separate Annual Report under the Banking Act.

The BCCI closure itself followed action taken by the Bank and other supervisors in the light of a report from accountants detailing extensive evidence of fraud within BCCI. Although only a part of BCCI's business was in the United Kingdom (through branches of the Luxembourg bank), this nevertheless represented the largest bank failure recorded in this country, and there was understandable concern about the position of depositors who had lost money. The Deposit Protection Scheme was triggered in January by the making of a winding-up order and payments are now being made to eligible sterling depositors. In the meantime an Inquiry was launched under Lord Justice Bingham to investigate the supervision of BCCI and to make recommendations. We have of course given full co-operation to Lord Justice Bingham and his team, and are involved in discussions with the Basle Committee of Supervisors about possible changes in the arrangements for supervising international banks.

There has been much critical comment on the supervision of BCCI, as conducted both by the Bank of England and by other supervisors. In particular, it has been suggested that the Bank should act swiftly to close a bank as soon as any of the criteria for authorisation are breached. But the focus has to be on the interests of depositors. Closing a bank is not something to be undertaken lightly; the consequences of depriving depositors of access to their money, and risking damage to the assets of the institution, make it extremely important that the option of remedial action is fully explored and acted upon where it seems likely to be more in depositors' interests. In forming a judgment, the Bank has to rely on the information available to it at the time, and cannot enjoy the advantage of hindsight. I believe that the decisions taken in the BCCI case were justifiable and correct at the time they were taken and that, until we received the information contained in the report made under Section 41 of the Banking Act in June 1991, remedial action was a more appropriate response, and more in the interests of depositors, than closure. Once we received the Section 41 report, closure was necessary and the Bank took the appropriate action immediately.

During the year we made a further reduction in the cash ratio deposit requirements, under which the commercial banks provide the Bank with non-interest-bearing balances whose employment helps fund our activities. This represents a cost to the banks, and it is incumbent on us to manage our affairs so as to keep that charge as low as possible. Prudent management of resources and budgets in recent years has given us the scope to make cuts which I know the banks have welcomed. This does not of course mean that the scope of the Bank's responsibilities is contracting: there are new areas of activity in Europe and in the training of central bankers from Eastern Europe; there is the work of promoting and enhancing facilities in the London market, especially payment and settlement systems; and we have been active in recent years in introducing new ecu instruments on behalf of HM Government, supplementing our more conventional borrowing activities in the gilts market which were resumed last year.

Against a difficult background, and with heavy pressures of work, the Bank's staff have shown great reserves of energy, enthusiasm and dedication. I am personally very grateful for this unstinting support. I am grateful too for the support of the Court of Directors, to which we have recently welcomed Sir Christopher Hogg, succeeding Dr Atterton who has contributed much to the Bank in his eight years as a Director.

The Bank's functions as a central bank are to safeguard the integrity and value of the currency; to maintain the stability of the banking and wider financial system and the integrity of payment systems; and to promote the efficiency and competitiveness of our financial markets. We approach these functions in different ways—on monetary policy we advise the government and carry out agreed policies; in supervision we operate independently under Statute; in other areas we operate at discretion.

What is common to all of these functions is the search for a stable financial framework for the development of the economy. This is the distinctive contribution that central banks can make, and its value is increasingly recognised both at home and abroad.

Robin Leigh-Pemberton

Governor of the Bank of England

Report of the Court of Directors

The Court of Directors are pleased to present their report together with the audited accounts for the Banking and Issue Departments for the year ended 29 February 1992.

Results for the year

The Banking Department accounts for the year ended 29 February 1992 are given on pages 21–34 and show an operating profit of £166.2 million, compared with £161.8 million in 1990/91.

After a payment in lieu of dividend to Her Majesty's Treasury of £67.6 million (compared with £81.5 million in 1990/91) and a tax charge of £30.9 million (1990/91: £18.1 million), the profit transferred to reserves amounts to £67.7 million, which compares with £62.2 million last year.

Continuing tight control over costs has enabled the Bank to make a further reduction in the level of cash ratio deposits. These interest-free deposits from the banking sector, which provide the Bank with a part of its resources so that it may carry on its functions, were reduced from 0.40% of eligible liabilities to 0.35% with effect from 27 January 1992. They were last reduced in January 1991, from 0.45%.

The accounts for the Issue Department (which are shown on page 35) show that the profits of the note issue were £1,874.7 million, compared with £2,545.8 million in 1990/91. The fall reflects the lower level of interest rates during the year. These profits are all payable to the Treasury. In accordance with the Currency and Bank Notes Act 1928, the assets of the Issue Department comprise securities of an amount in value sufficient to cover the fiduciary note issue.

Subsidiary companies

Minories Finance Limited (MFL), formerly Johnson Matthey Bankers Limited, has continued to realise its remaining assets and has declared dividends of £7.5 million, equivalent to its surplus for the year to 31 December 1991. A total of £72 million in dividends has been received to date, enabling the Bank both to repay the £20.7 million contributed by others under the indemnity arrangements (as reported in previous years) and substantially to cover its own costs.

Activities

The Bank is the central bank of the United Kingdom. Its core purposes are to maintain the value of the currency and the integrity of the financial system, and to promote the efficiency of financial markets.

The Bank's monetary policy operations are described fully in successive issues of its *Quarterly Bulletin*; and a full account of banking supervision is given in the *Annual Report under the Banking Act*, published alongside this Report. This report covers those activities of the Bank that are not otherwise reported on a regular basis.

The note issue

The value of the note issue was £16,121 million at the end of February 1992, £746 million (4.8%) larger than a year earlier.

Value of notes in circulation

£ millions

End-February	1989	1990	1991	1992
£1(a)	102	62	61	59
£5	1,646	1,539	1,373	1,166
£10(a)	5,806	5,866	5,810	5,743
£20	3,654	4,380	4,847	5,288
£50	2,054	2,292	2,375	2,515
Other notes(b)	850	882	909	1,350
Total	**14,112**	**15,021**	**15,375**	**16,121**

(a) Figures for 1989 include £38 million of £1 and £13 million £10 Series C notes still unpresented. These were written out of the circulation figures on 1 June 1989, in accordance with the terms of the Currency Act 1983. Those notes can, however, be cashed by the public upon presentation to the Bank without limit as to time.

(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 issues.

The £10 note remains the most commonly issued denomination. Of the other denominations, usage of £20 notes (particularly by banks and building societies for issue through cash dispensers and automated teller machines) continues to grow rapidly, while demand for £5 notes continues to decline; indeed, £5 notes now account for only about 7% of the total value of notes in circulation.

Number of new notes issued each year, by denomination

Millions

Year to end-February	1989	1990	1991	1992
£5	475	424	507	355
£10	621	627	619	638
£20	165	194	252	489
£50	23	22	24	21
Total	**1,284**	**1,267**	**1,402**	**1,503**

The new £20 note, the second of the Series E denominations, was launched on 5 June 1991. The changeover from £20D led to an increase in new £20 notes issued in the year 1991/92. The Bank announced at the end of January 1992 that the new £10 note would be issued from 29 April; the £50E will follow in due course.

Legal tender status was withdrawn from the Series D £5 note on 29 November 1991.

A major programme of investment in new printing machinery and equipment began two years ago. It has enabled the Printing Works to enhance its efficiency at the same time as producing a new series of Bank notes to a higher specification. The smaller size of the new notes has brought further cost savings. Staff numbers have been reduced and the unit cost of production has stabilised. It is intended that the trend towards lower staff numbers and falling unit costs in real terms will continue for the next few years, without compromising the effectiveness of the note-printing operation or the continuing efforts to protect the currency from the risk of counterfeiting.

Management of the stock registers

907,249 transfers of stock were registered in 1991/92, a fall of 14% on 1990/91. 432,895 transfers were effected through the Central Gilts Office, representing 48% of the total.

Transfers registered

Thousands

Year to end-February	1989	1990	1991	1992
Stock transfer forms	693	557	578 (a)	474
Electronic transfers through Central Gilts Office	631	487	473	433
Total	**1,324**	**1,044**	**1,051** (a)	**907**

(a) This figure corrects that published in last year's report.

The nominal value of British government securities managed by the Bank rose by 8% to £124,575 million, but the total of other securities under management fell by 1% to £3,907 million. The number of accounts fell by 12% to 1,350,000 of which 1,333,000 related to British government securities. The rise in the total of securities under management reflected the excess—nearly £10,000 million—of new issues over maturities. The new stock was issued mainly in the form of further tranches of existing stocks. The exception was £1,500 million of 9% Treasury Stock 2012, issued in February 1992, the first new stock created since May 1988.

Securities in issue under management at the Bank of England

£ millions nominal

End-February	1990	1991	1992
British government securities:			
Stocks	120,268	115,034	124,538
of which index-linked	*12,548*	*12,548*	*13,348*
Bearer bonds	51	42	37
	120,319	115,076	124,575
Other securities:			
Government-guaranteed	240	476	428
Commonwealth and overseas	3,144	3,188	3,262
Local authorities	106	81	41
Agricultural Mortgage Corporation plc	179	169	131
Other	45	45	45
	3,714	3,959	3,907
Total	**124,033**	**119,035**	**128,482**

Registrar's Department relocation

The relocation of the Registrar's Department was completed in July 1991. The costs of the operation were in line with forecasts, and the move was completed somewhat earlier than had originally been expected. The purpose of relocating was to reduce operating costs and this has been achieved, primarily through significantly lower premises and staff costs. Part of the reduction in the latter flowed from changes made to the organisational structure during relocation. Much of the financial benefit accrues to HM Treasury.

Just over 100 staff relocated from London, and some 350 were recruited locally. Despite the upheaval, productivity and service quality during the transitional period have been kept close to the levels that obtained in London.

To mark the completion of the move, Southgate House, the Department's new building in Gloucester, was opened by HRH the Duke of Gloucester on 11 September. On the same day, the Court of Directors sat at Southgate House, the first time in the history of the Bank that a meeting of Court had taken place outside London.

Payment and settlement systems

In the Central Gilts Office, which provides on-line transfer of government stock, the total nominal value of British government stock held on CGO accounts reached a new high level of nearly £100 billion by the end of the year. As a percentage of the total value of nominal stock in issue, this represented 80% compared with 70% a year ago. The number of chargeable direct memberships has also reached a new high of 109. The Central Moneymarkets Office (CMO), which opened for business in October 1990, now contains some 75% of the total nominal value of sterling money-market instruments outstanding; there are 64,000 instruments with a combined value of £77 billion held to the order of 69 CMO direct membership accounts.

In common with other major central banks, the Bank is devoting considerable resources to the important task of ensuring the integrity and stability of domestic and international payment and settlement systems. Its Payment Systems Division, established within the Banking Department in 1991, is involved in intensive discussions with the major London banks on measures to eliminate risks in the sterling payment systems; the first such measures are being implemented from April 1992. At the same time the Bank is discussing with other central banks, in the EC and wider international fora, issues relating to cross-border payment systems and to foreign exchange netting schemes.

As part of its continuing efforts to promote ecu markets in London, the Bank is also taking steps to strengthen ecu clearing and settlement arrangements, in the first place by offering two collateralised liquidity facilities to members of the Ecu Banking Association's Clearing and Settlement System, which handles ecu-denominated payment orders sent between 44 clearing banks located across the EC, with settlement taking place across accounts held at the Bank for International Settlements in Basle. The Bank of England is also considering the development of same-day book-entry transfer facilities for ecu-denominated instruments, drawing on the Bank's successful CGO and CMO facilities for sterling securities.

United Kingdom freeze on Iraqi assets

The Bank has continued to administer the restrictions on Iraqi assets which remained in force during the year. A substantial reduction in resources allocated has, however, been possible.

Information systems

Over the past year, the Bank has reviewed its approach to Information Systems (IS) in conjunction with external consultants, examining options for achieving the same or better IS provision at lower overall cost in the light of the future direction of the Bank's business.

Two factors made this an appropriate time to reappraise the Bank's computing needs. First, the end has come to a period of rapid and substantial growth in overall spending on IS, which had reflected both increased automation of clerical procedures within existing functions and the expansion of the functions themselves. In addition, the systems supporting the banking functions are some 20 years old and will need replacing within the next few years.

Having examined detailed costings of alternative ways of meeting current and expected IS needs over the next 5–10 years, the Bank decided to change direction in its IS strategy—moving away from the current shared provision of facilities between the Bank's different functions and towards dedicated departmental computing. There will in addition be a shift towards greater use of external packages, although the degree to which these can be used, particularly in relation to banking business, is still being explored.

City competitiveness

The Bank has traditionally played a part in facilitating changes enhancing the efficiency and competitiveness of UK financial markets. These activities tend by their nature to be best conducted in a low-key way. They have, however, acquired a new importance in the face of increasing competition between financial centres, as well as between individual financial firms.

The initiative to involve the Bank almost invariably comes from practitioners—and indeed it is the Bank's firm view that for innovation to succeed, it must respond to a clear market need rather than be imposed from outside. A recent example has been the Bank's involvement in the merger of the London International Financial Futures Exchange and the London Traded Options Market, which sprang from an approach to the Bank by those two bodies. The Bank has also taken a close interest in the establishment of the Financial Reporting Council, the re-launch of British Invisibles, the City Research Project and the City Corporation's Transport Task Force, as well as in a variety of structural issues relating to the operation and development of City markets, including the Stock Exchange, on whose Board a Bank official serves.

During the year, with the Bank's encouragement and active support, a committee was formed under Lord Alexander of Weedon to examine areas of legal risk that might be relevant to the City's markets. The Bank has provided a Secretary to the Committee. A consultation paper 'Reducing Uncertainty—The Way Forward' was issued in February 1992, and final proposals will be published in the coming year.

Training and technical assistance in central banking

Demand for training and technical assistance in central banking, notably from Eastern Europe, has experienced pronounced and rapid growth in the past couple of years. The Bank responded by establishing its Centre for Central Banking Studies in the autumn of 1990. The Centre runs training courses mainly for foreign central bankers, both in London and abroad, and co-ordinates the provision of technical assistance from the Bank. In the year to end-February 1992, the Centre ran thirteen courses —ten in London, and one each in Poland, Czechoslovakia and Indonesia. They were attended by approximately 260 participants from 76 countries, including most of those which comprised the former Soviet Union, as well as all the countries of Eastern and Central Europe, China and Vietnam. A highlight of the year was a course on banking supervision and management for the deputy chairmen of the central banks of the new republics of the former Soviet Union.

In addition, the Bank has provided technical assistance in the form of short-term assignments of senior members of its own staff to a number of overseas central banks (including those of Poland, Lithuania, the Ukraine, Zimbabwe and Bangladesh), and to the Polish and Hong Kong governments. The Bank is also actively participating in the provision of technical assistance to Russia and other countries of the former Soviet Union, which is being co-ordinated by the International Monetary Fund. Areas where the Bank's expertise has been particularly in demand include the role of a central bank in a market-based economy; monetary and foreign exchange policy and operations; the establishment and functioning of capital markets; and technical assistance in the field of banking supervision.

The Bank has also seconded one of its officials to British Invisibles to act as their Director for Eastern Europe and is providing support for him through the Centre for Central Banking Studies.

When the Corporation of Foreign Bondholders went into voluntary liquidation in 1989, it was agreed that its surplus assets should be used to establish a trust fund, to be administered by the Bank, for the purpose of financing the education and training of individuals from developing countries in banking, financial administration and debt management. The Bank of England Developing Countries Educational Trust came into existence on 28 February 1991. The main use of the Trust's money in its first year has been the award of fellowships permitting four African nationals to undertake postgraduate courses at British universities. The Trust has also given its support to the British Executive Service Overseas, an independent charity which provides technical assistance in developing countries.

Public information and education

The Bank continues to provide a range of facilities for visiting groups from educational and other establishments. A video discussing the Bank's role, functions and objectives has been produced and will be available to schools from this summer. A series of Fact Sheets describing and explaining the Bank's functions and related matters is also available, and is updated on a regular basis.

At a time when museum attendances showed a general decline of 8%, the Bank Museum increased its average daily attendances by 8% to 377 in 1991/92, from 350 the previous year. Two exhibitions were staged, one in connection with the new £20 note and the other a display of Bank cartoons and caricatures. A number of functions were also held in the Museum, ranging from a reception to launch the Red Cross Gulf War Appeal to the staging of the British Monopoly Championships.

The latest volume in the Bank's history—'The Bank of England and public policy 1941–58' by J S Fforde, a former director of the Bank—has recently been published. A companion volume, by Elizabeth Hennessey and discussing the Bank's internal administration over a similar period, is currently in preparation.

Directors

The names of the members of Court are given on page 3 together with the dates of their first appointment and expiry of their current terms. The principal outside appointments of the non-executive directors are also given. The areas of responsibility of the executive directors and associate directors at 1 March are set out on page 4.

The current members of the Audit Committee are Sir David Scholey (Chairman), Sir Brian Corby, Sir Colin Corness, Mr Crockett, Sir David Lees and Mr Southgate.

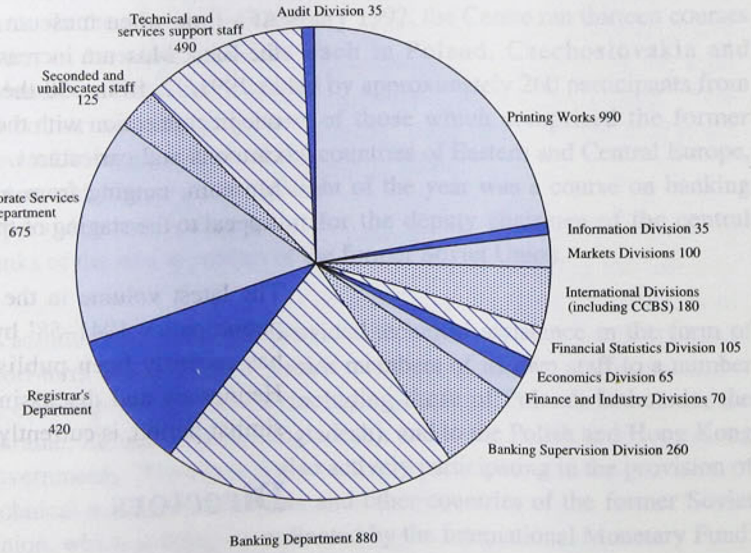
The current members of the Remuneration Committee, which makes recommendations to Court on the salaries of the Governors and the executive members of Court, are Sir Adrian Cadbury (Chairman), Sir Brian Corby, Mr Laird and Sir David Scholey.

Employees

The average number of persons employed by the Bank and its subsidiaries during the year was 4,940, of whom 4,780 were employed by the Bank. The aggregate remuneration was £104 million. In 1990/91 the average was 5,240 (of whom 5,050 were Bank staff) and aggregate remuneration was £103 million.

At 29 February 1992 the Bank employed 4,315 full-time and 235 part-time staff; of these, 255 full-time and 65 part-time staff were engaged on fixed-term contracts. The distribution at the year-end is shown in the following chart; part-time staff are included pro rata.

Staff numbers at end-February 1992



Banking support staff have been included in the areas where they are working.

Changes in staff numbers

Year to end-February	1989	1990	1991	1992
Staff numbers at start of year	5,245	5,155	5,140	4,985
Departures in year	595	575	585	660
Recruitment in year	500	550	420	215
Inward secondees in year	5	10	10	10
Staff numbers at end of year	**5,155**	**5,140**	**4,985**	**4,550**

There were only 75 Banking staff resignations during the year, compared with 168 in the previous year. Of the remaining departures, 346 staff left under severance schemes, 125 short-term contracts ran out and there were 80 normal retirements. Of the staff recruited, 87 were taken on in Gloucester as a consequence of the relocation of the Registrar's Department to that city.

24 members of the Bank's staff are currently on secondment overseas with other central banks, governments, international institutions and UK missions. Another 23 staff are with UK organisations such as the Panel on Takeovers and Mergers, government departments and banks. The number of inward secondees to the Bank from UK and overseas organisations is 15. One member of staff is on full-time study leave at the London School of Economics. In addition, the Bank has its first two students on sponsored post-graduate economics courses.

Last year's report mentioned that Senior Officials of the Bank are now permitted to accept non-executive directorships with large UK industrial and commercial companies. Three such appointments have now been made.

Employment policies

The Bank is an equal opportunities employer and ensures that all job applicants and members of staff receive equal treatment; there is no discrimination on grounds of sex, marital status, colour, religion, racial or social origin, or physical disability. Employees with disabilities are offered special assistance, wherever necessary. Flexible working initiatives designed to facilitate equality of progression (career break and the option to work on a part-time basis for a temporary period on return from maternity leave) have proved popular: 15 staff are currently on a career break and 32 women are currently working on a temporary part-time basis. In October 1991 the Bank joined the Opportunity 2000 Campaign which aims to increase the quality and quantity of women's participation in the workforce.

Training and development of staff continue to be major priorities. Technical training is organised by individual Departments and Divisions to ensure that the Bank's tasks are carried out to an appropriate standard. Management and other non job-specific training is co-ordinated by the Training Centre. There is an expectation that staff will attend the integrated programme of courses provided by the Training Centre, which is based on the Bank's business needs and objectives, culminating in the course for senior management at the Cranfield School of Management. Particular developments in the past year have centred on extending awareness of equal opportunities issues, improving services to internal and external customers, health and safety training, and continuing evolution and development of the Bank's graduate and accelerated training programmes. During the year, the Governor received from the Secretary of State for Employment a 1990 National Training Award for the Bank's Youth Training Programme.

The Bank is fully committed to providing a safe and healthy work environment and accepts its responsibilities for looking after the health, safety and welfare of its staff, members of the public, visitors, and contractors working within its buildings. Procedures and policies are reviewed regularly to ensure working practices are kept in line with current legislation.

Community involvement

During the year the Bank contributed a total of £1.27 million in support of its community programme. Of this figure, £331,000 was given to charitable organisations and a further £939,000 was contributed to a variety of other causes in the United Kingdom such as research and academic organisations and enterprise agencies through secondments, donations or the provision of office accommodation. The Bank has continued to match, on a £1 for £1 basis, donations made by staff and pensioners to registered charities under the Payroll Giving Scheme (Give-As-You-Earn).

The Bank continues to support the following ventures:

Business in the Community
Spitalfields Community Job Link
Windsor Fellowship
The Industrial Society
Enterprise Agencies
Youth Training
Business/Education Compact
Opportunities for People with Disabilities
Employers Forum on Disability
National Star Centre for Disabled Youth
Project Fullemploy (within Grand Met Trust)
Jobs In The City
Making Training Work
Workwise
Project Trident
The City and Inner London North Training and
Enterprise Council ('CILNTEC')

At present, there are 24 members of staff on community secondments. Both community and technical secondments are likely to increase during the coming year. Staff are also given time off to serve their local communities, for example as school governors or as Magistrates.

Premises

The Bank's premises were revalued as at 29 February 1992 and these values incorporated into the accounts. Consequently the market value of the Bank's premises did not exceed their book value at 29 February 1992.

Auditor

Coopers & Lybrand Deloitte are reappointed as auditor of the Bank. From 1 June 1992 the auditor Coopers & Lybrand Deloitte will practise in the name of Coopers & Lybrand.