

COMMITTEE OF TREASURY

MINUTE BOOK

81

81

THURSDAY, THE 3RD JANUARY 1930

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Maurice Laing
Lord Robens
Mr.de Rothschild

The Minutes of the last Meeting, having been circulated, were approved.

The Governor spoke about plans for modifying the present organisation and senior management structure of the Bank and answered questions from the Committee on various aspects of the proposed arrangements and of their presentation. The Committee expressed themselves as being in favour of the proposals which the Governor had outlined to them.

W.C. Gough
Secretary

THURSDAY, THE 10TH JANUARY 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Maurice Laing
Lord Robens
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

With reference to a Minute of the previous week, the Governor laid before the Committee an organogram which set out the proposed new senior management structure of the Bank and also a draft of the message which he intended to send to the staff. The Governor spoke first about the Direction. He mentioned prospective appointments and reappointments, and (with reference to a Minute of the 13th December 1979) recalled that the Committee had recently taken the view that there were good grounds for moving away from the established practice whereby a Director, once appointed, tended to remain on the Court until his retirement from major outside interests. The Governor spoke of the advantages of a measure of rotation in the membership of the Court and said that he proposed to make clear to Directors that there should be no presumption of an automatic reappointment after serving for one or more terms. In discussion Members supported the Governor's proposal and suggested that two terms might well prove in the generality of cases to be a long enough period for service on the Court by a non-executive Director, though there would always be a need to ensure that a suitable balance of experience and adequate continuity was maintained.

The Governor then commented on the new structure and on the message to the staff which described the aims and nature of the proposed changes. Some minor alterations having been suggested, the Committee agreed that the proposals should be referred to the Court of Directors.

St. George
Secretary

THURSDAY, THE 24TH JANUARY 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Maurice Laing
Lord Robens
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

LT 72
ex officio
It was agreed to report to the Court of Directors that the Committee, in accordance with a resolution of the Court of the 1st March 1946, proposed to invite Mr. McMahon to attend their Meetings.

It was agreed to recommend to the Court of Directors that pursuant to Clauses 11 and 12 of the Charter of the 1st March 1946 and with effect from the 1st March 1980 -

- CT 70 01
- (i) remuneration in respect of his exclusive services be paid to MR. C.W. MCMAHON, during his term of office as Deputy Governor, at the rate of £45,000 a year; and that he be entitled to the benefit, insofar as it applies to his case, of the Scheme approved by the Court of the 23rd November 1978, for the payment of pensions, etc., to those Members of the Court rendering exclusive service.
- 10

(ii) the exclusive services of MR. GEORGE BLUNDEN and MR. J. B. PAGE be engaged during their respective terms of office as Directors and that they also be entitled to the benefit, insofar as it applies to their respective cases, of the Scheme approved by the Court of the 23rd November 1978, for the payment of pensions, etc., to those Members of the Court rendering exclusive service.

CT 70.01

(iii) remuneration payable to the following Members of the Court in respect of their exclusive services be at the rates shown -

MR. GEORGE BLUNDEN	£38,000 a year
MR. J. B. PAGE	£35,000 a year

A report of the Staff Committee covering the Chief of Establishments' review of General Staff Administration and Training was submitted and referred to the Court of Directors.

With reference to Minutes of the 1st December 1977 and earlier, the Deputy Governor reported that an approach for financial support for this year's Festival of the City of London had been received. He laid before the Committee a list of five events for which support of either £2,000 or £2,500 was required and, after expressing a general preference, the Committee gave the Deputy Governor discretion to select one of the items for sponsorship by the Bank.

CT 57

The Governor spoke to the Committee on the following matters -

1. The inaugural R.A.O. Bridge Memorial Lecture which he had given earlier that week.
2. A meeting in Frankfurt which he had attended the previous weekend.

CT 45

A discussion followed which, in the main, was devoted to aspects of the United States economy.

CT 44

H.C. Gough
Secretary

THURSDAY, THE 31ST JANUARY 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Maurice Laing
Sir Adrian Cadbury
Mr. McMahon

CT 70.01
The Governors and Mr. McMahon not being present, and with reference to Minutes of the 8th November 1979 and earlier about the salary levels of those Members of the Court who gave full-time service to the Bank, Lord Nelson discussed with the non-executive Members of the Committee certain recommendations that he proposed to make to the Court that day regarding the remuneration of the Governor and the Deputy Governor.

The Governors and Mr. McMahon having joined the Committee, the Minutes of the last Meeting, having been circulated, were approved.

CT 57
+ office file.
Arising therefrom, the Deputy Governor reported that a concert by the Gabrieli String Quartet had been selected for sponsorship by the Bank for this year's Festival of the City of London.

CT 49.02
With reference to Minutes of the 26th July 1979 and earlier, a Report of the Committee on Bank Premises regarding the modernisation of King's Arms Yard/Tokenhouse Yard was submitted. Lord Nelson, the Chairman of that Committee, explained that the expenditure estimates had been studied in detail and that a special examination of the justification for the proposed outlay on energy saving measures and on air conditioning had been initiated. He said that the Committee were satisfied that over half of the total expenditure could be justified on cost-saving grounds, the

remainder representing justifiable renewals and maintenance to preserve the value of the existing capital asset. The Architect had recommended a negotiated contract in preference to competitive tenders and it had been agreed that Trollope & Colls Limited (who had constructed the original building) should be nominated as main contractors.

CT 4902

Sir Maurice Laing pointed out that the decision to award a negotiated contract in this case represented a reversal of what he had been told in the context of the Glasgow Agency contract was settled Bank policy: and would have an effect damaging to his firm. After discussion, it was agreed to refer the Report back to the Committee on Bank Premises in order that due consideration could be given to the matter that had been raised.

CT 6905

4 office
file

The Deputy Governor spoke about the arrangements by which the Bank Clerks' Orphans' Fund occupied certain accommodation at 9-12, Cheapside at a favourable rental and explained the courses the Bank could follow in their policy towards this tenant. The Deputy Governor said that it seemed doubtfully in the interests of the Fund to encourage it to occupy such premises when it could presumably move to a less expensive location outside the City; and, in the circumstances, he considered that the Bank should suggest that the Fund should welcome the breaking of the lease agreement in December 1980. The Committee expressed themselves as being in favour of this course of action.

CT 71 d
Office File

On the Governor's proposal, it was agreed that a portrait of the Deputy Governor be commissioned.

The Governor spoke to the Committee on the following matters -

1. the recent session at the Bank with the Panel of Academic Consultants
2. his meetings earlier that week with the Chairmen of the Scottish Clearing Banks and of the London Clearing Banks

CT 90.

Secretary
Secretary

THURSDAY, THE 7TH FEBRUARY 1980

Present

The Governor
The Deputy Governor
Sir Maurice Laing
Lord Robens
Mr. de Rothschild
Sir Adrian Cadbury
Mr. McMahon

The Minutes of the last Meeting, having been circulated, were approved.

6902 With reference to a Minute of the previous week regarding a Report of the Committee on Bank Premises on the modernisation of King's Arms Yard/Tokenhouse Yard, and in particular the question that had been raised about the decision to award a negotiated contract for the project, the Governor said that Lord Nelson, the Chairman of that Committee, had been considering the matter further but was unexpectedly unable to be present to report on it that day. The Committee were of the opinion that it would be difficult to reopen the matter of the award of the main contract at this stage and, on the assumption that in the circumstances Lord Nelson would not be in favour of doing so, they agreed that the Report should be referred to the Court of Directors, with the proviso that approval of the Report should be made subject to Lord Nelson's confirmation on the point.

CT 81
CT 190 The Governor spoke to the Committee about the speech which he had given at the Annual Banquet of the Overseas Bankers Club earlier in the week. A discussion on matters relating to the pricing and supply of oil and to the domestic economy then followed.

K. J. [Signature]
Secretary.

THURSDAY, THE 14TH FEBRUARY 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

CT 69.02
With reference to Minutes of the previous week and earlier regarding a Report of the Committee on Bank Premises on the modernisation of King's Arms Yard/Tokenhouse Yard, it was reported that Lord Nelson had confirmed that he did not see a case for reopening the question of awarding the main contract on a negotiated basis. Work on the next stage of the project was therefore now proceeding in the manner proposed.

The following were submitted and referred to the Court of Directors -

1. From the Committee to consider the Securities of Certain Funds -

CT 73.
The Quarterly Report which contained a recommendation that the sector targets of the Pension Fund should be applied to market values instead of book values.

2. From the Charitable Appeals Committee -

CT 57
4. Office File
The Annual Report on Donations which contained a recommendation that the Committee's Terms of Reference should be amended in two minor respects.

In connection with the Annual Review of Staff, the following were also submitted and referred to the Court of Directors -

1. A Minute on appointments and a Minute on gratuities to members of the Printing Works Staff, recommended by the Governors.
2. A Report of the Staff Committee recommending certain gratuities.
- 15

The Deputy Governor laid before the Committee a statement of the latest estimate of the operating profit of the Banking Department for the year ending the 29th February 1980. He spoke in particular about the likely size of provisions that would be needed, including those due to commitments arising from the Voluntary Severance Scheme. Taking these into account, he suggested that the aim should be that the payment to H.M.Treasury in lieu of dividend should be maintained at the same level as in 1979, which would represent a satisfactory outturn for the current year. The Committee concurred.

[Signature]
Secretary.

THURSDAY, THE 21ST FEBRUARY 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

CT. 68
A Report from Lord Nelson and Mr. Blunden on their visit to the Liverpool Branch was submitted. The Deputy Governor spoke about a reference in it to rumours that the Branch was about to be closed and explained that, while on grounds of security, the age of the building and the proximity of the Branch to Manchester, a case could well be made for recommending its closure, in view of the relative profitability of its banking business, the possibility of creating additional income by letting spare accommodation to a suitable tenant and perhaps above all the adverse comment that would be aroused if the Bank did decide to terminate its presence on Merseyside, in his opinion, the balance of advantage lay, as things stood, in continuing to maintain the Liverpool Branch, albeit with a somewhat limited role. The Committee concurred.

CT. 66
With reference to the recent quinquennial valuation of the affairs of the Bank Provident Society, it was agreed to recommend to the Court of Directors that the Actuary's recommendations - which had been accepted by the members of the Society at the Annual General Meeting - be approved and that authority be given to the Managers of the Society to declare a Compound Reversionary Bonus of £4.00 per cent per annum for the five years ended the 30th November 1979 on the sums assured and bonuses existing on that date. Further, that they be given authority to pay an interim bonus at the rate of £4.00 per cent per annum on claims which have arisen or which may arise between the 1st December 1979 and the 30th November 1984.

CT 59 The terms of a Resolution to be submitted to the Court appointing Mr. McMahon a Trustee of the Houblon-Norman Fund with effect from the 1st March 1980 in the room of Sir Jasper Hollom were approved by the Committee.

It was agreed to recommend to the Court of Directors -

- I. That, in connection with the Annual Review of the Staff, the undermentioned be granted gratuities, subject to tax in the recipients' hands -

P.A.S. TAYLOR £1,000
Chief of Administration,
Scale 12

██████████ £1,000
Deputy Chief of Exchange
Control, Scale 11

CT 60 OF A.T. BELL £1,500
an Adviser (Grade I),
Scale 10, Economic
Intelligence Department

- II. That, consequent upon forthcoming retirements under the terms of the Voluntary Severance Scheme, the following appointments be made -

██████████ to be Auditor, Scale 9, with
a Principal, Scale 8, effect from a date to be
Establishment Department determined by the Governors

██████████ to be an Adviser (Grade II),
an Assistant, Scale 8, Scale 9, Financial
Economic Intelligence Statistics Division, with
Department effect from the 2nd March 1980

Arising therefrom, the Committee discussed the role of the Auditor and concluded that the prospective appointment presented a suitable opportunity for reviewing and, where appropriate, redefining the terms of reference attaching to that position.

The Quarterly Report on Errors and Omissions was submitted.

H. Gough
Secretary.

THURSDAY, THE 28th FEBRUARY 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

CT 60 01
A Minute on an appointment recommended by the Governors was submitted and referred to the Court of Directors.

CT 60 01
CT 60 02
The Committee also had before them a paper recommending that voluntary severance offers be made to some members of the Messenger Staff and two Reports of the Staff Committee on Rules of a Compensation Scheme in connection with certain payments made under the terms of the Voluntary Severance Scheme and on a Scheme of Classification for Typing and Secretarial Staff. Mr. Clay, as Chairman of the Staff Committee, and Mr. Blunden attended and spoke about the factors underlying the various recommendations and the Committee agreed that the three items should be referred to the Court of Directors.

The Governor spoke to the Committee on the following matters -

- CT 71 01
CT 12
1. With reference to a Minute of the 8th November 1979, his appointment as a member of the National Economic Development Council, which had been announced earlier in the week.
2. His recent visits to Saudi Arabia and Kuwait.

CT 70 02
d Office
File.
With reference to Minutes of the 1st March 1979 and earlier concerning the Personal Accident Insurance Policy covering Members of the Court and their wives travelling on Bank business, the Deputy Governor, having declared his contingent interest and that of all other Members of the Court, recalled that the present maximum benefit payable in the event of the death of a Member of the Court or of a wife would amount to £85,000 and, in the case of

CT 70.02
the Governor or Mrs. Richardson, to £160,000. The policy would shortly fall due for renewal and if it were decided to adjust the benefits payable under the terms of the scheme, in accordance with the formulae previously adopted, in the light of the recent increases awarded in Special Remuneration the indicated levels would then amount to £120,000 and £360,000, respectively. As the resultant figures would represent such a substantial rise in the insurance cover, the Deputy Governor proposed that no change be made this year in the level of benefits for Members of the Court and that in the case of the Governor the maximum cover be limited to an amount of £300,000. The Committee concurred.

The Deputy Governor then referred to the fact that, under the present arrangements, there was provision for the same levels of benefit for both a husband and a wife and suggested that there was a case for reducing the amounts payable in the event of injury or death of a wife to perhaps a half or two-thirds of the levels of the particular cover for a husband. In discussion, a contrary view was expressed and it was left that further quotations would be obtained and that the Committee would revert to the matter at a later stage.

W. H. G. H.
Secretary.

THURSDAY, THE 6TH MARCH 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Lord Robens
Mr. de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The following were submitted and referred to the Court of Directors -

1. A Report of the Committee on Permanent Control of Expenditure.

CT. 50.07
It was noted that the non-executive Directors on that Committee wished to place on record their satisfaction at the scale of the savings which the Bank had achieved over recent years and on the manner in which these had been pursued under the direction of Sir Jasper Hollom. The Committee of Treasury endorsed that expression of appreciation.

2. The Quarterly Report of the Audit Committee and the Annual Review of the Audit Division programme, together with the Annual Review of the work of that Committee.

The Governor spoke to the Committee on the following matters -

1. A meeting of the National Economic Development Council which he had attended for the first time the previous day.
- CT. 71.01
- 69

2. The forthcoming monthly meetings to be held at the Bank for International Settlements.

3. The question of the attendance at meetings of the Court of Mr. Loehnis, an Associate Director.

It was agreed to recommend to the Court of Directors that he should attend regularly, but that if certain matters not relevant to his presence were due to be considered, then he might be asked to absent himself from the proceedings.

CT 40:

h. C. Ho - J. L.
Secretary.

THURSDAY, THE 13TH MARCH 1980

Present

The Governor
The Deputy Governor
Lord Robens
Sir Jasper Hollom
Mr.de Rothschild

The Minutes of the last Meeting, having been circulated, were approved.

It was agreed to recommend to the Court of Directors -

A. That the following Committees be appointed for the ensuing year:-

STAFF COMMITTEE

MR.CLAY

SIR HECTOR LAING

MR.BLUNDEN, Deputy Chairman

SIR DAVID STEEL

MR.DRAIN

MR.PAGE

COMMITTEE TO CONSIDER THE
SECURITIES OF CERTAIN FUNDS

MR.de ROTHSCHILD

MR.FFORDE

SIR ALASTAIR PILKINGTON

SIR ROBERT CLARK

DEBDEN COMMITTEE

SIR HECTOR LAING

MR.FFORDE

LORD WEIR

MR.BLUNDEN, Deputy Chairman

SIR DAVID STEEL

MR.DRAIN

CHARITABLE APPEALS COMMITTEE

SIR JASPER HOLLUM

SIR ALASTAIR PILKINGTON

MR.BLUNDEN

THE SECRETARY, ex officio

AUDIT COMMITTEE

LORD ROBENS

SIR JASPER HOLLUM

MR.de ROTHSCHILD

MR.DOW

MR.BLUNDEN

SIR ROBERT CLARK

COMMITTEE ON BANK PREMISES

LORD NELSON

LORD WEIR

MR.CLAY

MR.BLUNDEN

COMMITTEE ON PERMANENT
CONTROL OF EXPENDITURE

THE DEPUTY GOVERNOR

LORD ROBENS

SIR JASPER HOLLUM

SIR ADRIAN CADBURY

MR.BLUNDEN

B. That the following be appointed to visit the Branches and the Glasgow Agency during the ensuing year:-

<u>Manchester</u>	Sir Adrian Cadbury Mr.Drain
<u>Birmingham</u>	Mr.Clay Sir David Steel
<u>Liverpool</u>	Sir Jasper Hollom Sir Robert Clark
<u>Bristol</u>	Lord Nelson Mr.Page
<u>Leeds</u>	Lord Robens Mr.Blunden
<u>Newcastle</u>	Mr.de Rothschild Mr.Fforde
<u>Southampton</u>	Lord Weir Mr.Dow
<u>Glasgow</u>	Sir Hector Laing Sir Alastair Pilkington

ST 60-01
A Minute on an appointment recommended by the Governors was submitted and referred to the Court of Directors.

ST 69
ST 69-07
Office Files
With reference to a Minute of the 11th August 1977, the Governor advised the Committee that, on the basis of the latest assessment of expenditure, the projected total cost of the extension to the Southampton Branch had now risen to a figure of about £1,431,000. The Committee accepted that, in the circumstances, authority would have to be given for the increased level of expenditure. A view was expressed, however, that there was room for improvement in the standard of supervision of the Bank's building projects generally. It was agreed that this question should be looked into.

ST To 01
Office Files
With reference to a Minute of the 24th August 1978, the Committee approved the nomination of Mr.Clay as a Trustee of the Court Pension Scheme in the place of Sir Maurice Laing.

CT 57
Office File
The Committee confirmed that the Bank should make a financial contribution of £1,000 towards the cost of holding a conference at Oxford next year to mark the seventieth birthday of Professor Sir Alec Cairncross.

CT 67
CT 210
The subject of a proposed tour to Southern Ireland by the Bank Golfing Society in 1981 was raised. The Deputy Governor commented on the security implications and, after discussion, in which emphasis was placed on the vulnerability of a Bank party on a visit of that nature, the Committee concluded that it would be unwise and inappropriate for the Society to undertake such a tour.

CT 3
CT 100.
The Governor spoke to the Committee about the recent monthly meetings held at the Bank for International Settlements. In the course of a general discussion, it was suggested that, at a later stage, a paper should be prepared for the Court on the Rhodesian situation.

H. C. [Signature]
Secretary.

THURSDAY, THE 20TH MARCH 1980

Present

The Governor
The Deputy Governor
Sir Jasper Hollom
Mr. de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

CT 60.01 A Minute on an appointment recommended by the Governors was submitted and referred to the Court of Directors. It was noted that this appointment superseded one approved by the Court of the 20th December 1979.

CT 50.04
4 SEC 10.01 With reference to a Minute of the 14th February, a provisional statement of the estimated operating profit of the Banking Department for the year ended the 29th February 1980 was submitted to the Committee. The Deputy Governor mentioned the increased operating profit (before exceptional items) and the likely size of provisions that would be needed in respect of the portfolio of gilt-edged stocks and the cost of the Voluntary Severance Scheme and additional provision for retirement benefits. After taking these items and taxation into account, the estimated operating profit would amount to £18.4 million. In these circumstances, it would seem appropriate to maintain the interim payment to the Treasury at the same level as in 1979, on the basis that it carried no implication for the size of the final payment to be made by way of dividend. Accordingly, it was agreed to recommend to the Court of Directors that pursuant to Section 1(4) of the Bank of England Act, 1946, a payment of £2,500,000 be made to H.M. Treasury on the 3rd April next.

CT 57 The Deputy Governor spoke to the Committee about a letter which had been received from Sir Michael Swann who had been appointed Chairman of an organising committee to set up a Centre for Analysis of Technical Change. Sir Michael sought the Bank's support for the Centre, preferably in the form of free or low cost

CT 57
accommodation. The Committee felt that, although there was space available, the opportunity cost (which with rates and heating could amount to some £70,000 per annum) and the possible impairment of the Bank's ability to let space at New Change or at one of the Branches made such an arrangement undesirable. Following the Governor's suggestion that the Bank might consider making a modest financial contribution, it was left that the Deputy Governor should discuss the project with Sir Michael Swann.

The Governor spoke to the Committee on the following matters -

- Office File
1. Press comment on his speech at the Guardian "Young Businessman of the Year" Presentation the previous day and the latest edition of the Quarterly Bulletin.
 2. A suggestion that he might be prepared to travel in a coach in the procession in the next Lord Mayor's Show. He said that he was disinclined to accept this invitation.
 3. The consultation papers on monetary control and the measurement of liquidity which would be published that day. He foresaw that the Select Committee on the Treasury would wish to involve itself in the review of monetary policy.
- CT 99
4 SEC 25.

fu J. L. S.
Assistant Secretary,
10d April 1950.

THURSDAY, THE 10TH APRIL 1980

Present

The Governor
The Deputy Governor
Sir Jasper Hollom
Mr. de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The following were submitted and referred to the Court of Directors -

CT. 60.01

1. A Minute on an appointment recommended by the Governors.
2. A Report from the Trustees of the Court Pension Scheme.

Sir Jasper Hollom commented on the Report by Willis Faber Advisory Services Limited and their actuarial valuation of the new Scheme as at the 1st March 1979. The Report showed that the value of the assets held against the past service benefit was some £70,000 short of the value of the corresponding liabilities whilst the value of future contributions, previously agreed by Court at 54% of pensionable remuneration until otherwise determined, exceeded by a similar margin the value of benefits for future service. It was recommended that the Bank pay over to the Trustees a lump sum special contribution of £70,000 which would have the effect of reducing the rate of contribution from 54% to 43.5% of pensionable remuneration, until otherwise determined. This payment would be funded partly from the balance remaining from the previous provision for Court pensions and partly from tax allowances.

CT. 70.01

& Office file.

3. A Minute from the Charitable Appeals Committee on the making of a donation.

CT. 57

With reference to Minutes of the 28th February 1980 and earlier concerning the Personal Accident Insurance Policy covering Members of the Court and their wives travelling on Bank business, the Deputy Governor informed the Committee that the premium for renewal on the terms agreed by the Committee at their Meeting on the 28th February would amount to £2,490, an increase of over 50% compared with last year's figure of £1,570. This increase reflected the triennial review of travel patterns and the increase in benefits payable in respect of the Governor and Mrs. Richardson. Following a discussion at the Meeting on the 28th February, enquiries had been made about the reduction in premium which would be obtained if benefits for wives were reduced to half of those payable for husbands. As the premium would be reduced by only £283 he proposed that the maximum benefits in respect of wives should be maintained at the same level as for husbands. The Committee concurred.

*belong to
Secretary.*

CT. 70.02
& Office
File.

THURSDAY, 17 APRIL 1980

Present

The Governor
The Deputy Governor
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

A Report of the Debden Committee covering the General Manager's half-yearly review of the operation of the Printing Works was submitted and referred to the Court of Directors.

It was agreed to recommend to the Court of Directors that pursuant to Section 139 of the Companies Act 1948, and until otherwise resolved by the Court of Directors, -

CT. 224
The Chief of Corporate Services, or failing him the Chief Registrar, or failing him the Secretary, all of the Bank of England, and for the time being, be authorised to act as the representative of the Governor and Company of the Bank of England at any meeting of BE Services Limited.

CT. 227
Office File
At the Governor's invitation, Sir Jasper Hollom traced the earlier history of the Bank's financial support for the Take-over Panel. It had been hoped that with the establishment of the Council for the Securities Industry and the introduction of the levy on contract notes, the combined finances of the two bodies would be put on a sound basis and the need for support from the Bank other than its normal subscription would disappear. This hope had however been disappointed. The excess of expenditure over income for 1978/79 had amounted to £343,000 and the estimated deficit for 1979/80 was £113,000, due principally to the fact that the levy had started later than had been planned and its yield had been lower than expected. In order to strengthen the Council's income, it was the intention to increase the levels of subscriptions payable by member associations

19

and also to raise the rate of levy. But these corrective measures could hardly be taken before the Council had published its first accounts. It was therefore proposed that in order to save the Council from being weighed down by its accumulated deficit for a period of years, the first year deficit of £343,000 should be written off together with the related interest of about £35,000. The Committee concluded that as, in the circumstances, there was no practicable alternative to writing off those amounts, the proposed course of action should be adopted.

The Governor raised the question of the attitude to be adopted by the Bank in the case of a member of the Banking Staff who would almost certainly be selected for a place in the British fencing team for the Moscow Olympic Games. Mr Blunden attended, and after discussion and reference to the Government's standpoint towards their own employees on the matter, it was decided that it would be appropriate that the woman concerned should use Governor's Leave for the period of the Olympic Games themselves and utilise the balance of the special leave, with pay, which had been granted to her last year, for the preparatory stages.

The Governor spoke to the Committee on the following matters -

- 1 The merging of the City Capital Markets Committee and the City Company Law Committee.
- 2 His forthcoming appearance before the Select Committee on the Treasury and Civil Service, which was currently inquiring into the Budget and the Government's medium-term financial strategy.

The Deputy Governor spoke about the Council of Foreign Bondholders which had been subsidised by the Bank since 1936 and for the last 25 years at a level of £7,650 out of a total City subsidy of £15,000. He said that the Bank had been considering the discontinuation of this subsidy because the work of the Council had been falling away; however, the forthcoming Rhodesian debt negotiations, which were likely to be costly, would change that situation. It would also be presentationally an inappropriate time to terminate the subsidy when such negotiations were about

CT 163
Office File

to start. The Deputy Governor therefore recommended that the subsidy from the Bank should be continued for another year and that support on the same basis as previously from the other City bodies should be sought. He also proposed that after the Rhodesian negotiations had been completed, the possibility of the Bank taking over any residual role of the Council should be investigated. The Committee concurred.

W. G. G. G.
Secretary.

THURSDAY, 1 MAY 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Lord Robens
Mr de Rothschild

The Minutes of the last Meeting, having been circulated, were approved.

CT 70-04
Office File
The Governor reported that Sir Adrian Cadbury was expecting to receive an approach to join the board of a major Canadian bank. The Committee agreed that all such invitations should be considered on their merits. The Governor was invited to discuss the proposed approach with Sir Adrian Cadbury. Provided it seemed that there would be no conflict of interest, there would be no objection in principle to his acceptance of such an appointment.

CT 70-03
CT 70-04
Office File
The Governor then advised the Committee that Sir Jasper Hollom had an outstanding invitation to join the board of one of the clearing banks and went on to recall that it had recently been accepted that there was no reason why a clearing banker should in future be regarded as disqualified from consideration for appointment to the Court, although there could be practical difficulties in individual cases. After discussion, in which reference was made to certain clearing bank directorships held either prior to or subsequent to service on the Court of the Bank, the Committee concluded that it would not be in the best interests if a current Member of the Court who had held the office of Governor or Deputy Governor were to take on such a position.

Secretary

THURSDAY, 15 MAY 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

ST 60.01
A Minute on an appointment recommended by the Governors was submitted and referred to the Court of Directors.

ST 60.02
Mr Blunden attended to speak about this year's pay settlement. He began by outlining the background to the situation and said that in the cash limit approved by H M Treasury there was an allowance for a 14% increase in the wage bill with effect from 1 July 1980. He understood that the union claim could be at a level of about 35%; it therefore appeared that it would be difficult to avoid going to arbitration on the matter this year. He also referred to the recent Civil Service settlement, the pay offer for clearing bank staff and a likely increase in the Retail Price Index.

ST 60.02
The Committee then discussed the tactics that management should adopt after they had been presented with what was expected to be an unjustifiably high claim by the union. It was concluded that, in the first instance, it would be preferable not to make a counter offer but to give the union an opportunity to reconsider their claim in the light of the cash limit restraint imposed upon the Bank. The Committee also agreed that it would be desirable for management to communicate with the staff of the Bank with a view to persuading the union to adopt a more reasonable attitude in the matter.

U

With reference to a Minute of 20 March regarding the proposal to set up a Centre for Analysis of Technical Change, the Deputy Governor reported that he had discussed the project with Sir Michael Swann the previous day and had explained to him the Bank's view on the question of accommodation. The Deputy Governor said that while Sir Michael Swann was not seeking funds for financing the Centre as such, he would probably approach the Bank later in the year to discuss possible financial support from the Bank. The Deputy Governor had indicated to him that the Bank would be likely to consider favourably something in the range of £2-3,000 in the first instance.

The Governor spoke to the Committee on the following matters -

- 1 The recent monthly meetings held at the Bank for International Settlements at which the situation in the United States of America had been the main topic of discussion.
- 2 Press comment on the Bank's consultation paper on the measurement of liquidity and a speech which he was proposing to make on the subject of the Bank's supervisory role at a lunch for foreign bankers in the following week.

h. c. p. h.
Secretary

THURSDAY, 22 MAY 1980

Present

The Deputy Governor
Lord Nelson
Lord Robens
Sir Jasper Hollom
Mr de Rothschild

The Minutes of the last Meeting, having been circulated, were approved.

Office File
The Quarterly Report on Errors and Omissions was submitted. The Deputy Governor mentioned that the question of sanctions for negligence had been discussed at a recent meeting of the Management Policy Committee.

ST 219
The Quarterly Report of the Committee to consider the Securities of Certain Funds, which contained recommendations that the target proportions of the Pension Fund invested in two sectors should be amended and that the flexibility margin in those sectors be revised, was submitted and referred to the Court of Directors.

ST 60.06
A Report of the Staff Committee on the subject of an increase in pensions and allowances was also submitted. Mr Clay and Mr Blunden attended. At the outset, the interests of Sir Jasper Hollom and Mr Blunden, and the potential interest of the Deputy Governor, were declared. Reference was then made to the Rules of the Pension Fund which provided that pensions and allowances would normally be increased in proportion to a rise in the Retail Price Index and that only in extraordinary circumstances would a lesser increase be paid. It was recalled that any change of the Rules would be subject to negotiation and, if the two sides failed to agree, to arbitration.

Mr Clay explained that, in discussing the question of the award to be made this year, the Staff Committee had concluded that, in spite of the high rate of inflation, it would be difficult to contend that extraordinary circumstances existed

5

and that it would therefore be unwise to attempt to invoke that clause and pay a lesser amount than that indicated by the rise in the cost of living. In the course of a lengthy discussion, and with regard to a Minute of the previous week, reference was made to a relationship between the proposed pension award and the union's pay claim which had now been submitted, and it was pointed out that while the pay of the staff had been substantially increased last year, the award to pensioners, based on the rise in the Retail Price Index, had amounted to just below 11%.

CT60 06 The Committee noted that the average annual pension/allowance was about £2,700 and that only 35% of the 5,095 beneficiaries received more than that amount. A view was expressed that while an increase this year based on the rise in the Retail Price Index would certainly be justified in the cases of the smaller pensions and allowances, there must be a degree of concern about the prospect of applying an increase of around $22\frac{1}{2}\%$ to those in receipt of large pensions. It was pointed out, however, that the recommendation to increase all pensions by the same percentage amount would be in line with the practice currently followed by the Civil Service. After further discussion, in which it was mentioned that a form of tapering, if introduced once again, would be hard to reverse and would again upset differentials, it was agreed that this aspect should be referred to the Staff Committee for their consideration; that they should be specifically invited to comment on any implications that such a course of action might have on the negotiating position; and that they should submit a list of all pensions currently in excess of £15,000.

H. G. J.
Secretary.

THURSDAY, 5 JUNE 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

The Quarterly Report of the Audit Committee was submitted and referred to the Court of Directors.

CT 100
4 office file.

At the Governor's invitation, Sir Jasper Hollom spoke to the Committee about the intention of the Bank for International Settlements to present a gold medallion to every share-holding Central Bank and to all members of the Board and their Alternates, either serving now or who had recently so served, to commemorate its 50th anniversary. In his view, acceptance of such a memento on the occasion of this anniversary could hardly give rise to objections. The non-executive Members of the Committee concurred and agreed that those representatives of the Bank receiving medallions should be entitled to retain them.

With reference to a Minute of 22 May regarding the subject of an increase in pensions and allowances and the decision to ask the Staff Committee to examine the question of tapering this year's increase in the cases of those in receipt of large pensions, the Committee of Treasury had before them a paper from Mr Clay, the Chairman of the Staff Committee. In the absence of Mr Clay, Sir Hector Laing, also a member of the Staff Committee, and Mr Blunden attended.

CT 100.06

Sir Hector Laing explained that it was the unanimous opinion of the Staff Committee that extraordinary circumstances did not exist this year and that consequently the question of tapering certain pension increases did not arise. He went on to refer to the committee set up by the Prime Minister to examine the

19

indexation of pensions in relation to the levels of public sector pay, and related aspects, and said that, from the Bank's angle, it would, in any event, be inappropriate to recommend the tapering of pensions so soon after a large number of staff had opted to retire under the terms of the Voluntary Severance Scheme. The point was again made that, in an inflationary period, the Bank could lay itself open to criticism if it did decide to apply the full rise in the Retail Price Index to those already in receipt of large pensions, and perhaps also remuneration from other positions as well. While the Committee had some sympathy with that viewpoint, as well as anxiety on the matter generally, they considered that it would be inequitable to impose a restriction on a pension increase at a particular level and concluded that, in present circumstances, there was really no alternative but to recommend that, in all cases, the increase in pensions and allowances this year should be based on the full rise in the cost of living. The Committee accordingly agreed that the Staff Committee's Report on the subject, which had been considered at their last Meeting, should be referred to the Court of Directors.

CT. 160.06

The Governor having withdrawn, at the invitation of the Deputy Governor Sir Jasper Hollom spoke to the Committee on the following matters -

- 1 [REDACTED]
[REDACTED]
[REDACTED] The Committee agreed that the costs involved should be met by the Bank.
- 2 The replacement of the Bank car currently used by the Governor. The present Rolls Royce had proved unsatisfactory and the Committee agreed that it should be sold and that a new Silver Shadow II should be purchased in its place. [REDACTED]
[REDACTED]
[REDACTED].

CT. 71

CT 210

Handwritten signature
Secretary

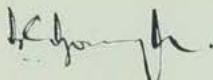
THURSDAY, 19 JUNE 1980

Present

The Governor
Lord Nelson
Lord Robens
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The Governor mentioned that the term of office of an Executive Director was due to expire next February and discussed with the Committee in broad outline his ideas for the succession. The Committee expressed themselves in favour of the proposal.

CT 70.03

Secretary

THURSDAY, 26 JUNE 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

CT 69
Office File

With reference to a Minute of 13 March regarding the expression of a view that there was room for improvement in the standard of supervision of the Bank's building projects generally, the Governor commented on a Report of the Premises Committee which had been prepared in response to a request to look into that question. The Governor said that the Report gave a misleading impression that the Committee of Treasury had reached a conclusion on the matter. What had happened in fact was simply that Lord Robens had raised the question and it had been agreed that the Premises Committee be asked to look into it. As Lord Robens was not present that day, it was left that it would be submitted at a subsequent Meeting.

CT 10-01
Office File

With reference to a Minute of 10 April, a Report of the Trustees of the Court Pension Scheme on the second actuarial valuation of the Scheme, as at 1 March 1980, was submitted to the Committee. Sir Jasper Hollom explained that it showed that a shortfall had arisen, in respect of past service liabilities, from last year's readjustment in salaries. He said that, after consideration of the possible ways of eliminating the shortfall, it was

15

recommended that the Bank should pay to the Trustees a lump sum special contribution of £175,000, as at 1 March 1980, to be adjusted for late payment. The sum required should be drawn from the reserve remaining from the previous Court Pension Scheme, appropriate tax adjustments being made. In expressing themselves in favour of the proposed course of action and agreeing that the Report should be referred to the Court of Directors, the Committee considered that, in future, it would be desirable to be made aware of the broad extent of the likely need for additional funding of the Scheme at times when recommendations were submitted for increases in salaries.

The Governor spoke to the Committee on the following matters -

- 1 The forthcoming retirement of Mr T A Gore Browne as senior Government Broker in April 1981 and the intention that he should be succeeded in that position by Lord Cromwell.
- 2 The report of the Wilson Committee which had been published the previous day. Having referred to the impressive and useful analysis of the markets and institutions covered by the report and to the scope of the recommendations and views of that Committee, the Governor commented on two recommendations regarding the Court. The first of these proposed that, in future, non-executive Directors should be drawn from a wider range of backgrounds and interests than at present, though still not appointed as delegates; the second proposed that, in future, except in special circumstances, the maximum period of service of non-executive Directors should be set at two four-year terms.

Secretary

THURSDAY, 3 JULY 1980

Present

The Governor
Lord Robens
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

ET 50
EL 10 01

The Governor recalled that the Court had given their provisional approval to the draft Accounts of the Bank for the year ended 29 February 1980 and had concluded that, in the circumstances, a total payment in lieu of dividend of £6½ million would represent a satisfactory outcome for the year. The Governor said that it was now known that that amount would be acceptable to H M Treasury. The Accounts of the Bank, which now reflected that total payment, were laid before the Committee who agreed to recommend to the Court of Directors that the Accounts be approved and signed.

ET 221

[REDACTED]

[REDACTED]

24 221

[REDACTED]

The Governor spoke to the Committee about the debate which had taken place at a meeting of the National Economic Development Council the previous day.

Belmont
Secretary

THURSDAY, 10 JULY 1980

Present

The Deputy Governor
 Lord Nelson
 Lord Robens
 Sir Jasper Hollom
 Mr de Rothschild

The Minutes of the last Meeting, having been circulated, were approved.

It was agreed to recommend to the Court of Directors that the Annual Report and Accounts of the Bank for the year ended 29 February 1980, including the annual report by the Bank made in pursuance of Section 4(1) of the Banking Act 1979, be printed and issued, subject to some minor drafting amendments.

The following were submitted and referred to the Court of Directors -

- 1 A Minute on an appointment recommended by the Governors.
- 2 A Report of the Committee on Bank Premises regarding their work.
- 3 A Report of the Committee on Permanent Control of Expenditure.

With reference to a Minute of 5 June and the decision that the Bank car currently used by the Governor should be sold and that a new Silver Shadow II should be purchased in its place, Sir Jasper Hollom spoke to the Committee about the [REDACTED] [REDACTED] [REDACTED]. The Committee expressed themselves as strongly in favour of acquiring the model which was priced at £52,000, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED].

With reference to Minutes of 26 June and earlier regarding a question about the standard of supervision of the Bank's building projects, the Committee had before them a Report of the Committee on Bank Premises on the subject. In introducing the paper, Lord Nelson, the Chairman of that Committee, referred to the two major projects which had been undertaken since the present arrangements for property management were established in 1976, and he pointed out that while the building of the new office in Glasgow had been an outstandingly successful operation, many difficulties and delays had arisen in connection with the extension to and reconstruction of the Southampton Branch. Lord Nelson felt that there were two conclusions to be drawn from the experience at Southampton; first, that the Bank should consider very carefully the wisdom of embarking on extensive alterations to an old site before such a project was approved; and, secondly, that the Bank should guard against undue pressure to place the work with a local contractor, who, in this instance, had proved to be unsatisfactory. He said that, in the case of the Southampton extension, there was the additional point that the partners of the firm of architects allotted to the project had proved to be weak.

Finally, Lord Nelson mentioned the Oscar Faber report, which had been concerned with the quality and provision of work required for the Bank's building and engineering services. The Committee agreed that whatever shortcomings there may have been before the report was commissioned, the implementation of its recommendations had led to a clear and very satisfactory improvement in the whole area covered.

With reference to a Minute of 15 May, and Mr Blunden being present, the Deputy Governor advised the Committee of the present situation regarding the pay negotiations and said that, after the Prime Minister had seen a press report about the Bank's offer of 17%, which had appeared on the same page of an issue of the Financial Times as the announcement of her decision to taper proposed salary increases for Members of Parliament and senior public servants, it was understood that she had expressed the hope that the Bank would "do the same". The Deputy Governor explained how the Bank's ranks

and salaries compared with those of the people in the Civil Service and Nationalised Industries affected by the Government's tapering exercise; and he spoke of the difficulties that the implementation of any such step would cause if the Bank tried to apply it to ranks equivalent to Assistant Secretaries and Principals in view of the fact that the Bank's offer to the bargaining unit, which included their equivalents here, had been made some weeks previously. He also said that senior staff above the bargaining unit might well have a presumption that any increase awarded this year would be applied throughout the scales.

60.01
60.02
He then sought the Committee's views on whether the existing offer should be withdrawn. After a full discussion, the Committee concluded that it would be unreasonable, inappropriate and a breach of faith to withdraw, or seek to amend, the offer to the bargaining unit, the point being made that it was within the constraints of the agreed cash limit. Furthermore, they agreed with the Deputy Governor that decisions regarding staff on Scales 10-12 and on executive Members of Court need not be taken yet, but recommended that their position should be carefully examined after agreement had been reached with the Union on the offer to the bargaining unit. Some Members thought that it would be preferable not to advise those on Scales 10-12 at the present time that their increases might be tapered, but the Deputy Governor said that this would need to be decided by the executive Members of Court after discussion with the Governor as the situation developed.

[Handwritten signature]
Secretary

THURSDAY, 24 JULY 1980

Present

The Governor
The Deputy Governor
Sir Jasper Hollom
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The following were submitted and referred to the Court of Directors -

- 1 Two Reports of the Staff Committee on the undermentioned subjects -

Housing accommodation for pensioners; and
The Chief of Corporate Services' report on Manpower Review and Planning.
- 2 The Quarterly Report of the Charitable Appeals Committee.

The Governor spoke to the Committee on the following matters -

- 1 His recent appearance before the Select Committee on the Treasury and the Civil Service. A discussion in general terms on issues which had been raised then followed.
- 2 With reference to a Minute of 10 July, the forthcoming publication of the Annual Report and Accounts of the Bank and the need to have marshalled and immediately available arguments and comparisons relating to salary increases for senior officials and Members of Court.

Secretary

THURSDAY 7 AUGUST 1980

Present

The Governor
The Deputy Governor
Lord Robens
Sir Jasper Hollom
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

Office File

The Governor advised the Committee that the Bank had been asked to lend the first volume of the General Ledger for display in an exhibition to be held by the Fitzwilliam Museum, Cambridge. The Governor said that although the Ledger was an irreplaceable and unique record, it had been copied on microfilm and in view of the standing of the Museum, and provided that the Bank's conditions as to handling and safe custody were met, it would seem reasonable to accede to their request. The Committee concurred.

CT 71
CT 210

With reference to Minutes of 10 July and earlier, the Governor expressed some personal misgivings about the Committee's decision that the Bank car which he currently used should be replaced by a new Silver Shadow II. The non-executive Members of the Committee did not share the Governor's views on the matter, however, and considered that, on the grounds of the Governor's status and security and on the score that the Bank should be seen to be using a high quality British product, an appropriate choice had been made. It was left that the decision taken earlier should stand.

G

The Governor spoke to the Committee on the following matters:-

- CTA9
- (1) Arising from the publication of the Banking Figures as at 16 July on the previous Tuesday, the preliminary estimate that sterling M3 (seasonally adjusted) had grown by about 5% during the month. He emphasised that that forecast did not give an indication of the underlying rate of monetary growth and he explained the manner in which the July figures had been inflated by the unwinding of distortions within the financial system that had built up over the period of operation of the Supplementary Special Deposits scheme.
 - (2) A meeting of the National Economic Development Council which he had attended the previous day.

CT 60 01
CT 60 02
CT 60 06

With reference to Minutes of 10 July and earlier, Mr Blunden attended and advised the Committee of the present situation regarding the pay negotiations, following recent long meetings of management and the union with the Advisory, Conciliation and Arbitration Service. He then spoke to the Committee about a paper on the question of the level of increase to be awarded to those staff above the bargaining unit. He recalled the Government's intention to taper the salaries of senior Civil Service officials and board members of the Nationalised Industries and also the Prime Minister's message to the effect that she hoped that the Bank would "do the same". It would therefore be difficult not to taper salary rises for senior Bank staff and he explained the approach that it was proposed that the Bank should adopt in the matter, namely, that salaries of staff on Scales 10, 11 and 12 should be increased by a flat sum addition of £4,383, being the maximum increase within the bargaining unit on a 17% basis. He went on to mention that the Government intended



to tie pensions in the tapered areas to the reduced salary levels recently announced and said that he would not recommend that the Bank should establish a notional salary, based on a 17% increase, for pension purposes above the bargaining unit.

LT 60-01

LT 60-02

LT 60-06

After discussion, the Committee concluded that, in present circumstances, there was no alternative to tapering senior salary increases, even though that would mean disrupting differentials deliberately established only last year, and considered that the method proposed by Mr Blunden represented a reasonable solution to the problem.

W. H. Blunden
Secretary.

THURSDAY 21 AUGUST 1980

Present

The Deputy Governor
Lord Robens
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The Quarterly Report of the Audit Committee was submitted and referred to the Court of Directors.

Office File
The Quarterly Report on Errors and Omissions was also submitted. The Deputy Governor commented that by far the greater part of the losses that had been incurred were attributable to the Bank's Cheque Card Scheme and arose from the simultaneous loss of cheque book and cheque card. He said that the situation gave cause for concern and mentioned that the question of whether to issue a further general notice of warning to customers would be considered later in the year.

CT 60.01
It was agreed to recommend to the Court of Directors that the following appointment in the Industrial Finance Division, Policy and Markets, be made with effect from 21 August 1980 -

A T BELL (56)
Head of Division,
Scale 10

to be Head of Division,
Scale 11, at a basic
salary of £31,564

CT 70.01
Office File
The prospective interest of the Deputy Governor and the actual interest of Sir Jasper Hollom having been declared, the Deputy Governor spoke to the Committee on the subject of increasing the pensions and ex gratia allowances in payment to former Governors and Executive Directors. He recalled

[Handwritten signature]

that in 1978 and 1979 such pensions had been increased in relation to the full rise in the Retail Price Index over twelve-month periods and mentioned that in preceding years awards had been based on two-thirds and three-quarters of the rise in the cost of living. If it were decided to follow the practice of the last two years, it would now be appropriate to award an increase of 21.0%, reflecting the rise in the RPI over the review period, except in the case of Sir Jasper Hollom whose pension from the Court Scheme had commenced on 1 March 1980 and where a pro rata increase would be applicable.

CT 70.01
Office File

The Deputy Governor said that he was inclined to suggest that an award of 21% might be too substantial an increase this year. He therefore felt that, as a variant, consideration might be given to enhancing Court pensions by three-quarters or two-thirds of the increase in the RPI or perhaps by 17%, which would represent some four-fifths of the rise in the cost of living. If the figure of 17% were adopted, it would equate with the level of the recent staff pay settlement and also have the effect of raising only one pension up to the figure of £20,000, an amount which had been mentioned in the course of discussion last year (Minutes of 29 November 1979 and earlier refer). The Committee were of the opinion that, in the circumstances, it would be appropriate to follow the latter course this year. Accordingly, it was agreed to recommend to the Court of Directors that, with effect from 1 July 1980, the pensions and ex gratia allowances in payment to former Governors and Executive Directors should be increased by 17%, with the exception of the pension in payment to Sir Jasper Hollom from 1 March 1980 which, it was further proposed, should be increased by 6.7%. No part of these increases to be commutable.

CT 54
Office File

With reference to Minutes of 15 September 1977 and earlier concerning the question of removing the Accountant's Department (as it was then entitled) out of London, the Deputy Governor advised the Committee that the Secretary of State for Wales had become aware that the Bank had been examining possible sites at Bristol and Norwich for the

Registrar's Department and that he had written to the Governor to ask whether full consideration had been given to suitable locations within the Assisted Areas. Mr Blunden attended and the Committee had before them a draft letter of reply to the Secretary of State.

In the course of a full discussion, it was mentioned that it would be necessary to assure the Government that the Bank had examined the possibilities of all Assisted Areas before a convincing case could be made for removing to another part of the United Kingdom. The point was also made that the timing of an actual move was a factor to be considered in the reckoning; and it was suggested that, as the work performed by the Department was largely undertaken on behalf of the Government, and needed to be carried out efficiently, an assessment to ascertain the cost of the various options and to examine aspects of the recruitment and training of suitable clerical labour should be made and then be submitted to H M Treasury for their advice. It was considered that if the review did not point to a really suitable location, there could well be a case for not moving the Department out of London.

It was recognised that in present circumstances the question could become a major issue and it was left that a reply should be addressed to the Secretary of State for Wales which should indicate that the matter would be carefully examined on a cost and benefits basis, in which the possibilities offered by all Assisted Areas would be taken into consideration.

H. Best

Assistant Secretary

CT 54
4 Office
File

THURSDAY 11 SEPTEMBER 1980

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Jasper Hollom

The Minutes of the last Meeting, having been circulated were approved.

The Governor spoke to the Committee on the following matters -

- CT-100
- 1 The recent monthly meetings held at the Bank for International Settlements.
 - CT-90 2 The meeting with the Chairmen of the London Clearing Banks on the previous day.

H. J. P.
Secretary.

THURSDAY 18 SEPTEMBER 1980

Present

The Governor
The Deputy Governor
Lord Robens
Sir Jasper Hollom
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

27.70.01
The Governor referred to his remuneration and advised the Committee that, in the light of the comments made on the figures which had appeared in the Accounts of the Bank for the year ended 29 February 1980, he had decided to waive a further amount this year. A view was expressed that, on various counts, it would be preferable if the Governor did not take such a step. It was also mentioned that as a paper would shortly be submitted to the Committee on the subject of an increase in salaries for executive Members of the Court, there was a case for reaching a decision on that before the Governor took any further action with regard to his remuneration.

27.57
27.71.01
Office file
The Governor also spoke to the Committee about an invitation to become a Vice President of the 25th Anniversary Appeal of the Duke of Edinburgh's Award Scheme and, having mentioned the convention that, in the normal course of events, Governors did not associate themselves with fund-raising activities, however worthy the cause, he sought the Committee's advice on the matter. Views on the question were divided: and it was suggested that it should be left to a personal decision of the Governor.

Secretary

THURSDAY 30 OCTOBER 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

4-73
A Report of the Committee to consider the Securities of Certain Funds was submitted and referred to the Court of Directors.

It was agreed to recommend to the Court of Directors that the use of the Bank Seal and custody of the keys be delegated to the Governors and Executive Directors in accordance with the following procedure:-

Three File
A periodic statement of documents for sealing to be laid before the Court, together with a covering letter or letters from the Bank's solicitors: the Court having approved and so ordered, the affixing of the Seal to be witnessed at any convenient time by three Executive Directors and the practice of making a report to the next Court to be discontinued. In the event of the unavailability of two or more Executive Directors, any other Members of the Court to be invited to complete a sealing party.

The three keys of the Directors' Safe "A" in the Committee Room on the First Floor containing the Seal of the Corporation to be held as follows:-

No 1 key by the Governors
No 2 key by the Executive Directors
No 3 key by the Secretary who shall retain it on behalf
 of the Executive Directors in a sealed envelope.

6

With reference to Minutes of 7 August and earlier regarding this year's pay settlement, the Governor observed that there remained the question of the appropriate levels of salary award for those Members of the Court who gave full-time service to the Bank. He said that Sir Adrian Cadbury and Mr Clay, having drawn on the advice of Sir Henry Benson, had prepared a paper on the subject and he invited Sir Adrian Cadbury to introduce it.

(T 70.01)

Sir Adrian Cadbury spoke about the issues which had to be borne in mind in considering any proposals at the present time, including the effect that tapering would have on the recently established salary structure for Executive Members of the Court, and referred to the limited range of options. Against that background, he recommended that the flat sum addition of £4,383, recently awarded to all Banking Staff on Scales 10, 11 and 12, be applied.

The Deputy Governor recalled that the salary award recently received by the Permanent Secretary to the Treasury represented a rise of 8.1% and he felt that it might be preferable to think in terms of an enhancement of remuneration of that order. He had in mind a fixed sum award of £3,500 which for the six Members of Court concerned would represent an overall increase of 8% and would represent a degree of tapering slightly sharper than that imposed on salaries of the most senior Civil Servants.

In the course of a full discussion, reference was made to the remuneration of Chairmen and Deputy Chairmen of Nationalised Industries, the Government's concern at the damaging effects of public sector increases and the need for restraint, and, furthermore, the sensitivity of the subject of Bank top salaries. The Committee recognised that the question of the salary rise to be awarded to Executive Members of the Court this year needed to be handled with extreme caution and it was agreed that, although there was logic in the suggestion that an addition of £4,383 might be applied, it



would be prudent, in the circumstances, to propose an increase of £3,500 in all six cases. It was further considered that it would be appropriate to increase the remuneration payable to Mr Loehnis, Associate Director, by the sum of [REDACTED], in line with the award made to senior staff.

It was left that a formal recommendation incorporating these proposals would be submitted to the Court.

With reference to Minutes of 12 April 1979 and earlier concerning Sir Henry Benson's terms of appointment as an Adviser to the Governor, the Governor recalled that since 1 July 1979 his remuneration had been at the level of £10,000 per annum. He said that the arrangements regarding his appointment were now subject to annual review and that Sir Henry Benson would be wholly content to continue to be paid at that rate. A view was expressed that it should be a matter to be agreed between the Governor and Sir Henry Benson; and it was suggested that, in the light of the heavy workload undertaken by Sir Henry Benson for a relatively modest fee, consideration might be given to some form of presentation on the termination of his appointment.

The Governor referred to the publication on the following Tuesday of the next set of eligible liability figures and mentioned the appearances of both the Chancellor of the Exchequer and himself before the Select Committee on the Treasury and Civil Service.

H. Gough.
Secretary.

THURSDAY 6 NOVEMBER 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

With reference to a Minute of the previous week, at the instance of Lord Nelson, the Committee agreed to recommend to the Court of Directors that:

1 the Special Remuneration of Members of the Court rendering exclusive service be revised as follows with effect from 1 July 1980 -

LT. 70.01
Office files

The Governor)	£68,500
The Deputy Governor)	£48,500
Mr Pforde)	£43,500
Mr Dow) +£3,500 to	£43,500
Mr Blunden)	£41,500
Mr Page)	£38,500

CT. 229
Office file

2 the remuneration payable to Mr Loehnis, Associate Director, be revised as follows also with effect from 1 July 1980 -

CT. 50.04

A Report of the Committee on Permanent Control of Expenditure was submitted and referred to the Court of Directors.

Sec. 25

With reference to a Minute of the previous week, the Governor spoke at some length about his recent appearance before the Select Committee on the Treasury and Civil Service. The session had, in general, focussed on recent monetary developments and had been accorded satisfactory press coverage.

On the invitation of the Governor, Sir Adrian Cadbury spoke to the Committee about a forthcoming conference to be held by the Confederation of British Industry.

K. J. [Signature]
Secretary

THURSDAY, 27 NOVEMBER 1980

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

With reference to Minutes of 31 January and earlier, Mr Blunden attended and spoke about an approach by the City Arts Trust for financial support for future City Festivals. He mentioned changes in the pattern of activities and in the manner in which they would be financed and said that the Trust was seeking a contribution of £2,500 per annum towards meeting the administrative costs of the Festivals from each of 12 major City institutions which might be prepared to participate, including the Bank. The Committee agreed that it was appropriate that the Bank should give such financial support and, furthermore, considered that it would be reasonable to offer to maintain that level of subscription for at least three years.

The Quarterly Report on Errors and Omissions was submitted. With reference to a Minute of 21 August regarding losses which had been attributable to the Bank's Cheque Card Scheme, the Committee were advised that a further general notice of warning had recently been issued to staff customers.

The Governor discussed with the Committee certain aspects of the Direction.

Secretary

THURSDAY, 22 JANUARY 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

A Report of the Staff Committee covering the Chief of Corporate Services' review of General Staff Administration and Training was submitted and referred to the Court of Directors.

The Committee also had before them a note on the subject of the establishment of a separate budget for the Bank's financial support of economic and business research. Mr Dow attended and spoke about the need to centralise the administration and the scale of such donations. After a brief discussion, in which questions were raised about the rationale of giving by the Bank in this field and about particular bodies for which support was recommended, the Committee expressed themselves as content with the proposals contained in the note.

The Governor spoke to the Committee on the following matters -

- (1) His recent meeting in Edinburgh with the Chairmen of the Scottish Clearing Banks and the Committee of Scottish Clearing Bankers; and the speech which he had given at the Institute of Bankers in Scotland Biennial Dinner.
- (2) With reference to a Minute of 27 November 1980, the situation regarding the Direction.
- (3) The First 1981 Stockton Lecture which he would be giving that evening on "Some reflections in the wake of the Wilson Report".

H. G. G. G.
Secretary

THURSDAY, 29 JANUARY 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Jasper Hollom
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The Governor spoke to the Committee on the following matters -

- CT 84-02
CT 90
- 1 With reference to a Minute of the previous week about his recent meeting in Edinburgh with the Chairmen of the Scottish Clearing Banks and the Committee of Scottish Clearing Bankers, problems regarding the Bank of England's note issue in Scotland.
 - CT 10-03
2 With reference to Minutes of the previous week and earlier, some developments regarding the Direction.
 - CT 90
3 A decision to decline to accord the status of recognised bank to the Commercial Bank of Wales Limited, but the grant instead of a full licence, under the terms of the Banking Act 1979.

Adrian Cadbury
Assistant Secretary
5th February 1981

THURSDAY, 5 FEBRUARY 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Lord Robens
Sir Jasper Hollom
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

SEC 10.01
CT 50.04
CT 219

The Deputy Governor laid before the Committee a statement of the latest estimate of the operating profit of the Banking Department for the year ending 28 February 1981. He spoke in particular about the need to make further provision for retirement benefits. It would be prudent to repeat last year's procedure and pay an amount equal to the estimated deficit in the Pension Fund at 28 February 1981 (estimated by the Actuary to be £13.5mn) to the Trustees before the end of February. The Committee concurred.

SEC 10
SEC 10.01
CT 90

With reference to the discussion on the Bank's income at the working dinner held in December last the Governor invited the Deputy Governor to speak about some further developments. The Deputy Governor told the Committee that the Treasury's sharp reaction to the suggestion that the potential loss of income from bankers' balances might be offset by reducing the frequency of note issue surplus payments and restricting payments in lieu of dividend to the statutory amount indicated that securing agreement to these proposals would be difficult. The Governor said that because of the probable undesirable consequences of this course his inclination was to move away from this proposal. Bankers' balances might be maintained at some two fifths of their present levels for some years.

3

SEC 10
SEC 10.01
CTAO
For the longer term it might be possible to persuade the banks to keep balances here amounting to a very small proportion of their eligible liabilities. A brief discussion followed in which the danger to the Bank's independence was emphasised and it was agreed that the Committee would revert to the matter at a future meeting.

The Governor informed the Committee that a Ministerial Committee had been considering suggestions that the Bank of England Printing Works might be included in the programme for the disposal of public sector assets. He invited Mr Blunden and Sir Hector Laing to attend and speak about this.

CT 56
Mr Blunden informed the Committee that last summer, when this suggestion was first made, he had written to the Treasury pointing out its impracticability and irrelevance. Treasury officials agreed with his views. Last week, however, he had attended a meeting held by the Financial Secretary to discuss this possibility. He had re-deployed all the arguments previously put to the Treasury and stressed the obvious absurdity of the suggestion but nevertheless the Financial Secretary wished to take the matter to a meeting of the Ministerial Committee later this month. The Committee agreed that no action should be taken for the moment.

[Signature]
Secretary

THURSDAY, 12 FEBRUARY 1981

Present

The Governor
The Deputy Governor
Lord Robens
Sir Jasper Hollom
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

In connection with the Annual Review of Staff, the following were submitted and referred to the Court of Directors -

- 1 A Report of the Staff Committee recommending certain gratuities.
- 2 A Minute on gratuities to members of the Printing Works staff, recommended by the Governors.

With reference to a Minute of 21 August 1980 about the relocation of the Registrar's Department, the Deputy Governor recalled the approach on the subject from the Secretary of State for Wales and advised the Committee that it was understood that the Chancellor of the Exchequer had now had an opportunity to explain to the Secretary of State why the Bank were adamant in their belief that the Department could not be moved to South Wales or to any other Assisted Area. It was also understood that the Secretary of State, while regretfully accepting the Bank's decision for the present, had intimated that, should the Bank decide to move the Department out of London other than to an Assisted Area, he would raise his objections once again.

10

The Deputy Governor explained that that situation, coupled with the effects of recent changes in the structure of the Bank, and of possible future developments, had made it timely to undertake a reappraisal of the appropriateness of a move out of London. That review had indicated that if a move were made to a building outside, but close to, the City, worthwhile savings in accommodation costs could be achieved, while present staff would be able to continue to travel to work without moving house. It was therefore recommended that, in the circumstances, a move out of London should be finally abandoned. If that proposal were approved, it would be desirable to communicate the decision to the staff of the Department as soon as possible in order to remove the uncertainty that existed.

After a full discussion, in the course of which mention was made of the need for flexibility in planning the Department of the future in the light of developments in computer systems and of the desirability of deferring an actual move until after some years had elapsed, the Committee expressed themselves in favour of the recommendation and agreed that it would be essential to advise the staff of such a decision at the earliest opportunity.

With reference to a Minute of the previous week about the Bank's future income, the Governor mentioned three areas which were under consideration in that connection and said that it would be the intention to revert to the matter at a subsequent meeting of the Committee.

H. D. G. J.
 Secretary.

THURSDAY, 19 FEBRUARY 1981

Present

The Governor
The Deputy Governor
Lord Robens
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

It was agreed to recommend to the Court of Directors that, in connection with the Annual Review of Staff, the following appointments be made with effect from 1 March 1981 -

D A H BYATT,
Chief Manager, Foreign
Exchange Division,
Scale 11(a)

to be Chief Manager, Foreign
Exchange Division, Scale 11(b),
at a basic salary of £32,557

[redacted]
an Adviser, International
Division, Scale 11(a)

to be a Senior Adviser,
International Division, Scale
11(b), at a basic salary of
[redacted]

CT 60-01
B S P GENT,
a Deputy Head of Banking
Supervision,
Scale 9

to be a Deputy Head of Banking
Supervision, Scale 11(a),
at a basic salary of £29,134

J E W KIRBY,
an Adviser, International
Division, Scale 9

to be an Adviser, International
Division, Scale 11(a), at a
basic salary of £30,127

[redacted]
an Adviser, Financial
Statistics Division,
Scale 9

to be an Adviser, Financial
Statistics Division, Scale
11(a), at a basic salary of
£30,344

[redacted]
an Assistant Adviser,
Territorial Division,
Scale 8

to be a Press Officer,
Information Division,
[redacted]

2

[redacted]
a Principal,
Registrar's Department,
Scale 8

to be an Assistant Chief
Registrar, Scale 9

[redacted]
an Assistant to the Chief
of the Banking Department,
Scale 8

to be an Assistant Chief
of the Banking Department,
Scale 9, at a basic salary
of £24,781

[redacted]
an Adviser, Financial Structure
and Institutions Division,
Scale 8

to be an Adviser, Financial
Structure and Institutions
Division, Scale 9

[redacted]
R J WOODLEY,
a Principal,
Corporate Services Department,
Scale 8

to be a Principal, Corporate
Services Department, Scale 9

Also in connection with the Annual Review of Staff, the Deputy Governor proposed that D A H BYATT, Chief Manager, Foreign Exchange Division, Scale 11(a), be granted a gratuity of £2,000, subject to tax in his hands: and the Committee agreed that the recommendation should be referred to the Court of Directors.

A Report of the Committee to consider the Securities of Certain Funds, which recommended the adoption of a system of target ranges for the categories of assets held for the Pension Fund, was submitted and referred to the Court of Directors.

With reference to Minutes of the previous week and earlier, the Governor reverted to the crucial and difficult question of the Bank's future income and explained that, as it would be undesirable to seek assistance in the matter from

H M Government, attention had been directed towards the banking system. He then referred to problems with regard to the latter area in that the banks had hopes and expectations of holding smaller balances with the Bank and that unless their present burden of interest-free deposits maintained here were lessened, some disintermediation of business out of the country could be expected to occur. There was undoubtedly a case for devising some arrangement which would extend to the banking system as a whole but there was no legislative backing for any such scheme. The Governor said that the clearing banks would continue to need to keep some balances at the Bank for clearing purposes, although technological developments in that field could have the effect of reducing those amounts. In addition to that element, banks could be asked to deposit with the Bank perhaps $\frac{1}{4}$ or $\frac{1}{2}$ of their eligible liabilities. There was little doubt that it was in the interests of the banking system to continue to have an independent central bank, a situation for which the banks should be prepared to pay.

In the course of discussion, the following points were made:-

- 1 If the deposits made by banks were non-interest bearing, such a scheme could be regarded as being unfair to them. It was conceivable that, to sweeten the pill, deposits might have an entitlement to a form of dividend, although that could give rise to problems.
- 2 If the Bank's income were to be secured from deposits from the banking system, the present arrangements for paying over to H M Treasury excess profits of the Banking Department would have to be discontinued; and the Chancellor of the Exchequer had already been warned of that possibility.
- 3 The capital of the Bank could perhaps be increased and be taken up by the banking system.

- 4 The advantages that the Bank stood to offer were probably underrated and a form of subscription for reaping the benefits of operating in London ought to be levied on all banks, possibly involving a capital deposit linked to their own deposits, equivalent to $\frac{3}{4}\%$ of eligible liabilities. A case could well be made for the backing of the banking system in this way.

St. John
Secretary

THURSDAY, 26 FEBRUARY 1981

Present

The Deputy Governor
 Lord Robens
 Sir Jasper Hollom
 Mr de Rothschild
 Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

The Quarterly Report of the Audit Committee and the Annual Review of the Audit Division programme, together with the Annual Review of the work of that Committee, were submitted and referred to the Court of Directors.

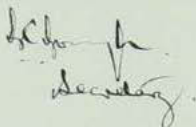
CT 70.03
 With reference to Minutes of 29 January and earlier, the Deputy Governor advised the Committee of the position regarding the Direction.

SEC 6
 CT 60.01
 CT 70.01
 Office Files
 It was agreed to recommend to the Court of Directors that Mr J C R DOW, whose term of office as a Director of the Bank expires on 28 February, be employed by the Bank with the rank of Adviser to the Governor with effect from 1 March 1981; that he should continue to be a member of the Court Pension Scheme and to be authorised to exercise the powers of a Governor to approve travel arrangements; and that his remuneration be at the rate of £44,000 a year.

CT 90
 SEC 10
 SEC 10.01
 With reference to Minutes of the previous week and earlier, the Deputy Governor advised the Committee that some progress had been made on the question of the Bank's future income. He said that it had been mentioned to the Chancellor of the Exchequer that the Bank would like to have an assurance from HM Government that they would be prepared to consider legislation if there were to be any reluctance on the part of the banking system to holding special non-interest bearing

19

balances with the Bank in an amount equivalent to not more than $\frac{1}{2}\%$ of eligible liabilities. It would be the intention to relate such balances to the protection of the sterling liquidity of individual banks and licensed deposit-takers in the United Kingdom. The Deputy Governor said that draft proposals had already been shown to the Chairman of the Accepting Houses Committee, prior to the issue of discussion papers in the following week.

CT90
SEC 10
SEC 10 01

Secretary.

THURSDAY, 5 MARCH 1981

Present

The Governor
The Deputy Governor
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

It was agreed to recommend to the Court of Directors, pursuant to Clauses 11 and 12 of the Charter of 1 March 1946 and with effect from 1 March 1981 -

(i) That the exclusive services of MR J B PAGE and MR A D LOEHNIS be engaged during their respective terms of office as Directors and that they be entitled to the benefit, insofar as it applies to their respective cases, of the Scheme approved by the Court of 23 November 1978, for the payment of pensions, etc, to those Members of the Court rendering exclusive service.

(ii) That the remuneration payable to the above-named Members of the Court in respect of their exclusive services be at the rates shown -

MR PAGE	£38,500 a year
MR LOEHNIS	£38,500 a year

The Governor referred to the publication of certain information regarding the remuneration of Members of the Court and, in particular, of a large number of senior staff, which would appear in the Bank's Report and Accounts for the year ended 28 February 1981, and said that he had asked the Deputy Governor to look into the matter and to consider how the figures would compare with the pattern of emoluments to be disclosed by the clearing banks and other organisations.

The Governor spoke to the Committee on the following subjects -

1 With reference to a Minute of the previous week, the change of a name for the Direction.

2 With reference to Minutes of the previous week and earlier, the reactions to two matters which had been raised with the Chancellor of the Exchequer in connection with the Bank's future income.

3 The question of the attendance at meetings of the Court of Mr Dow, now an Adviser to the Governor. It was agreed to recommend to the Court of Directors that he should attend regularly, but that if certain matters not relevant to his presence were due to be considered, then he might be asked to absent himself from the proceedings.

The Quarterly Report on Errors and Omissions was submitted.

With reference to Minutes of 10 April 1980 and earlier concerning the Personal Accident Insurance Policy covering Members of the Court and their wives travelling on Bank business, the Deputy Governor, having declared his contingent interest and that of all other Members of the Court, recalled that the present maximum benefits payable in the case of the Governor or Mrs Richardson would amount to £300,000 and, for other Members of the Court or their wives, to £85,000. The policy was now due for renewal and if it were decided to adjust the benefits payable in accordance with the formulae previously agreed, but, in fact, not applied last year, the indicated levels would then be about £400,000 and £130,000, respectively: and with a decline in the rate of increase of inflation, such increases might be considered to be unsuitable. The Deputy Governor said that another factor to be borne in mind was that the cover provided by the Court Pension Scheme was under review and that it was likely that the question of an increase in maximum benefits would be put forward for consideration. In the circumstances, he proposed that the

70-01
70-02
see file

Personal Accident Insurance Policy cover for Members of the Court and their wives should be maintained at the present levels, for the time being. The Committee concurred.

A Report of the Committee on Permanent Control of Expenditure was submitted and referred to the Court of Directors.

A. J. S. Williams
Deputy Secretary

THURSDAY, 26 MARCH 1981

Present

The Governor
Lord Nelson
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

With reference to Minutes of 5 March and earlier, the Committee had before them a note about the provision of benefits in the event of the death in service of a member of the Court Pension Scheme. In response to the Governor's invitation Sir Jasper Hollom spoke to the Committee about the case for some change in the existing arrangements in view of the Scheme's divergence from the terms of the Staff scheme; in particular, while the benefit under the Court Scheme was limited to three times remuneration, it had been agreed by the Court of Directors in May 1979 that the maximum death benefit under the Staff Scheme should be increased from three to four times remuneration (that being the maximum permitted by the Inland Revenue authorities) for those having 30 or more years' service, the excess over three times remuneration being convertible, at option, into a widow's allowance. Although there were no grounds for drawing too close a parallel between the two Schemes, the situation called for examination, and it was suggested that there were three possible courses of action in relation to the Court Scheme. These were discussed by the Committee, and it was agreed to recommend to the Court of Directors that the death benefit under the Court Scheme should be raised to four times remuneration, with the proviso that any excess over three times remuneration should be convertible, at a member's option, into a widow's allowance.

LT 70-01
Free File

APM

At the Governor's invitation, Sir Jasper Hollom also explained to the Committee the situation arising under the Court Scheme from the death of Mr Edward Holland-Martin. As inquiries on behalf of the Trustees had shown that his widow was satisfactorily provided for, it was agreed to recommend to the Court of Directors that the discretionary power to grant an allowance in cases such as this, where there was no entitlement because the marriage had taken place after the retirement of the member concerned, should not be exercised.

It was further agreed to recommend to the Court of Directors that G C Gough, Secretary of the Bank and a Deputy Chief of Corporate Services, who was due to retire on 11 April 1981, be granted an ex gratia payment of £1,500 on leaving the Bank's service.

With reference to Minutes of 5 March and earlier in connection with the Bank's income, and to Minutes of 19 March of the Court of Directors about the estimated operating profit of the Banking Department and the question of a payment to HM Treasury on or before 3 April, the Governor invited Mr Blunden to attend and speak about the situation. He informed the Committee that although HM Treasury's initial reaction had been favourable to the proposal that no payment should be made in lieu of dividend on this occasion, HM Treasury were now contending that in view of the expected level of the Bank's operating profit a substantial payment should be made, irrespective of the uncertainty over the Bank's future sources of income. After discussion it was agreed that, in the circumstances, to make the minimum payment provided under Clause 1(4) of the Bank of England Act 1946 could be construed as provocative and that it would be preferable to recommend to the Court of Directors that the Bank should propose to HM Treasury to effect on this occasion a payment at the same level as those made in 1979 and 1980, with the proviso that this should be without prejudice to the Bank's future position.

CT 1
CT60-01
CT210

The Governor then invited Mr Blunden to speak also about the problem that had arisen over an invitation to a senior official to address a gathering in Dublin. The Committee concurred with the line proposed by Mr Blunden.

A. J. L. Williams

Deputy Secretary of the Bank

THURSDAY, 9 APRIL 1981

Present

The Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

CT 90

The Governor spoke to the Committee about the problems that had arisen from the bid recently made by the Hongkong and Shanghai Banking Corporation for the equity of the Royal Bank of Scotland. The prior offer made by the Standard and Chartered Bank Limited was regarded as acceptable both as to the manner of the approach and as to its likely effect on the structure of the British banking system. However, against the background of the informal rules as regards banking mergers and takeovers that had long had general acceptance among the UK banking community, this second bid presented disquieting features, not least an apparent intention of the Hongkong and Shanghai Banking Corporation to proceed with their offer even if it failed to gain approval both from the board of the Royal Bank of Scotland and from the Bank of England. The possibility clearly existed that the matter would be referred to the Monopolies and Mergers Commission; but how far that could be relied upon to produce a satisfactory outcome was very uncertain. The matter had thrown up the whole question of the extent to which foreign control of major British banking institutions should be allowed and how undesirable developments could satisfactorily be controlled. The Committee shared the Governor's concern.

A. J. Williams

Secretary of the Bank

THURSDAY, 16 APRIL 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Jasper Hollom
Mr de Rothschild
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

A Report of the Debden Committee covering the Annual Report and draft Accounts of the Printing Works for the year ended 28 February 1981 was submitted and referred to the Court of Directors.

With reference to a Minute of the previous week the Governor spoke to the Committee again about the problems caused by the bid made for the equity of the Royal Bank of Scotland by the Hongkong and Shanghai Banking Corporation. He noted that a memorandum had been submitted by the Bank on the previous day to the Office of Fair Trading, whose task it was to advise on whether the bid should be referred to the Monopolies Commission. Although the Commission was not an entirely suitable forum in which to examine all aspects of the matter, a reference would afford time to consider what the national interest might be. It was not, however, clear that the outcome would necessarily be satisfactory for the Bank, particularly, perhaps, as the Treasury did not appear to share the Bank's anxieties. The case demonstrated, unfortunately, that the authorities had virtually no powers to head off an unwelcome bid from a determined overseas bank. In the particular case of Hongkong it was impossible to rely on the ability of the Hong Kong authorities effectively to supervise the Hongkong and Shanghai Banking Corporation in all circumstances. The Committee indicated that they supported the Governor's views on this complex matter.

A. J. L. Williams
Secretary of the Bank

THURSDAY, 30 APRIL 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury

The Minutes of the last Meeting, having been circulated, were approved.

Two Reports were submitted and referred, without discussion, to the Court of Directors -

- (i) The Half Yearly Report of the Committee to consider the Securities of Certain Funds, covering management of the portfolio of the Pension Fund for the six months ended 27 February, and having attached to it, for confirmation, a record of the transactions undertaken for the Fund during that period.
- (ii) A Report of the Committee on Bank Premises about a project for the modernisation of the engineering services in Head Office.

The Governor spoke to the Committee about the proposal for a City wedding present for HRH The Prince of Wales. He explained that it had traditionally been the practice for the City to mark such an occasion by a present, and that the arrangements had usually been organised by the Governor in association with the Lord Mayor, as had happened in 1947 for the wedding of the then Princess Elizabeth and again in 1960 for Princess Margaret. The whole matter,

CT57-01
House File

though not in itself of great significance, nevertheless raised questions of a certain difficulty, such as the possibility of being criticised for being either too mean or too lavish. The amount given in 1947, if increased for inflation, would produce a figure of some £36,000, which seemed, in present-day circumstances, excessive. The point had been made that it might be preferable to donate a sum to a nominated charity rather than give an actual present. However, it seemed more acceptable to give the bulk of whatever sum might be contributed to a charity, while leaving a more modest sum to be used for an actual present. It was also felt that it was better to follow the precedent of a joint presentation from the City than to shower the Royal couple with separate presents from the various institutions and associations. He had discussed the matter in this light with the Lord Mayor and informal agreement had been reached on the basis that the Bank would consult the main City bodies and associations on whether they agreed with the suggested approach and with the approximate individual sums which we had in mind for their contributions, with a view to producing a total of about £25,000, of which £10,000-12,000 could go towards a present, with the balance to a charity. Our understanding was that furniture was preferred as a present, while the charity would preferably be one concerned with the disabled. It seemed that the Court of Aldermen had agreed to put up about £1,250, and the Bank would, it was envisaged, put up a "balancing" sum, which might also be around £1,250. The Governor pointed out that the Corporation of London intended to make a separate presentation. The Governor said that he would like to be assured that the Committee was content with the sort of approach he had outlined. A short discussion followed, in which the Governor indicated that thought had not yet been given to the question of publicity for the present. This aspect could perhaps be left open until the response to our consultations could be estimated. The Committee concurred with the approach recommended by the Governor.

2

CT 90
With reference to a Minute of the previous meeting, the Governor spoke briefly to the Committee about the possibility of a reference of the bids for the Royal Bank of Scotland to the Monopolies and Mergers Commission, and mentioned that he had discussed the question informally with Mr John Biffen, the Minister for Trade.

A. J. Williams

Secretary of the Bank

THURSDAY, 21 MAY 1981

Present


The Deputy Governor
Lord Nelson
Mr de Rothschild
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

CT 60-06
CT 70-01
A Report of the Staff Committee on the subject of an increase in pensions and allowances was submitted. In the absence of Mr Clay, Sir Hector Laing, also a member of the Staff Committee, and Mr Blunden attended. At the outset, the interests of Sir Jasper Hollom (in his absence) and Mr Blunden, and the potential interest of the Deputy Governor, were declared.

CT 60-06
At the Deputy Governor's invitation, Sir Hector Laing took Members through the Report and its recommendations. Reference was made to the Rules of the Pension Fund, which provided that pensions and allowances would normally be increased in line with a rise in the Retail Price Index and that only in extraordinary circumstances would a lesser increase be paid, which had to be at least as great as the across-the-board element in any award granted to the staff. The Staff Committee had concluded that in the circumstances described they had no option but to recommend an increase as from 1 July in line with the Retail Price Index.

CT 60-02
CT 60-06
CT 219
Some concern was expressed by Members over the discrepancy with treatment of staff salaries, where compensation in terms of an increase in the Retail Price Index was very unlikely to be achieved; but it was pointed out that staff salaries were subject to the current rules on cash limits, whereas pensions were payable out of a Fund and were not subject to cash limits.



Furthermore, there should be no need to top up the Pension Fund as a result of the proposed increase in pensions; there might of course need to be topping-up for other reasons as a result from the forthcoming revaluation of the Fund. It was agreed that the capacity of the Pension Fund to meet the proposed increase without difficulty was fundamental in this case. There would be no question of the proposed pension increase involving the Bank in a breach of the cash limits rules or making it harder for the Bank to increase staff salaries. Indeed, the discrepancy in treatment as between pensioners and staff was likely to be the more acceptable in the eyes of the staff as the latter could in principle recover in later years from the more unfavourable current position, while the pensioners would remain tied to the Retail Price Index. The significance of "extraordinary circumstances" was discussed and it was accepted that if such circumstances did not exist last year, it would be hard to maintain that they existed now.

On the timing of the announcement of the pensions increase, it was agreed that it would be preferable to do this in the usual way, namely during June, rather than to defer it until after agreement had been reached on salaries, where the timing was still uncertain. The suspicion likely to be caused among the staff by delaying the announcement about pensions could lead to the staff taking a tougher line in the salary negotiations. On tapering, the Committee agreed with the Report that it would be likely to generate ill will and future complications that would be quite disproportionate to the negligible savings that might be produced.

The Committee accordingly agreed that the Report should be referred to the Court of Directors.

The Deputy Governor mentioned to the Committee a problem that had arisen with regard to Norton Warburg Limited: there was some risk of a letter from a pensioner being published in the Daily Telegraph or elsewhere which could be misleading and damaging as regards the Bank. Publication had, however, so far at least been delayed.

A. J. Williams
Secretary of the Bank

THURSDAY, 28 MAY 1981

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.


Arising out of the Minutes it was noted that the article about the Norton Warburg case had in fact appeared in the Daily Telegraph of the previous Saturday, but seemed to have attracted little attention.

The Quarterly Report of the Audit Committee was submitted and referred without discussion to the Court of Directors.

CT60
The Governor spoke to the Committee about proposals for a Selective Severance Scheme that had been considered by the Staff Committee. At the Governor's invitation, Sir Hector Laing and (in Mr Blunden's absence) Mr Galpin, the Chief of Corporate Services, attended the meeting for this item.

CT50
CT60-01
CT60-02
The Governor began by pointing out that the forthcoming Annual Report of the Bank would show that a large number of the staff were receiving large salaries. Exactly how this would be regarded in comparison with the salaries of other organisations could not at this stage be estimated, but it could cause disquiet in Whitehall and elsewhere. He felt too that certain senior people in the Bank were perhaps rather overpaid in relation to their actual output.

CT50
CT60-01
CT60-02
Moreover, at a time when much of the private sector was suffering the discipline of smaller profits, it was not unreasonable that the public sector, and thus also the Bank, should be seen to be not immune to such pressures.



CT60

The Governor was also of the opinion that, in general, an organisation worked better when it had to try harder. In addition to these factors, we had found that there was an overall surplus of staff, which had emerged since the ending of the Voluntary Severance Scheme last year. If there was to be any criticism, including any arising from the publication of the Annual Report in July, he considered it sensible to have an operation in progress that showed our recognition of the pressures. For those reasons he had brought forward these proposals now, perhaps a little prematurely because there had not yet been time to study them and their implications fully. The Governor went on to summarise the proposals as they had been submitted to, and received the broad approval of, the Staff Committee. It was important that the matter should remain confidential while further study was given to the Scheme, and he would wish to carry forward the discussion as soon as possible, probably next week. The Governor concluded by saying that Mr Galpin had already set on foot an exercise in the Corporate Services Department to identify tasks which were unnecessary or inappropriate in the circumstances of a smaller Bank, and this exercise could lead to a reduction in the Department's output and thus to a further surplus of staff. In their respective areas, too, the Executive Directors would be giving a critical examination to functions and staff requirements.

In the discussion that followed it was observed, inter alia, that

- CT60
- (i) The present proposals related only to the full-time Banking Staff; it might well be necessary later to provide a Scheme for the part-time staff and the Technical and Services Staff.
 - (ii) The need for the Scheme had arisen largely because, in the wake of the Voluntary Severance Scheme, there had been low staff wastage, low recruitment and a low level of retirements.
 - (iii) There seemed to be a number of staff who felt under-employed.
- ad

- (iv) The proposals implied strict control by management: volunteers might be refused, and it was the intention that Managers should approach individuals and seek to persuade them that it was in their own interests to leave.
- (v) The terms had to conform to the requirements of the Inland Revenue authorities, and cases thus had to be classed under either redundancy, restructuring or limited efficiency (the latter not being the same as inadequate performance from our point of view).
- (vi) In contrast to earlier Schemes, this one would not be designed to remove "statistical frustration"; it could and should lead to some jobs being done in future at less senior levels.
- (vii) A dilemma remained over whether compulsion would be envisaged to deal with the (probably very few) residual cases as a last resort when persuasion had failed.
- (viii) There were perhaps fewer prospects outside in comparison with last year, when those leaving under the Voluntary Severance Scheme had, almost universally, found satisfactory jobs or other acceptable activities; moreover, those whom we particularly wished to go were those who might well find it hardest to find other employment, though there were doubtless cases of people who were in the wrong track here and who could reasonably be expected to do better outside.

The Committee agreed, nevertheless, with the general content of the proposed Scheme, expressed the wish to consider a detailed paper about it in due course, together with a draft text of the related Notice to Staff, and were content that the Governor should meanwhile raise the matter at Court.

A. J. Williams
Secretary of the Bank

THURSDAY 11 JUNE 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Mr de Rothschild

The Minutes of the last Meeting, having been circulated, were approved.

see file
The Quarterly Report on Errors and Omissions was submitted.

The following were submitted and referred to the Court of Directors -

- 1 A Report of the Committee on Permanent Control of Expenditure
- 2 The Quarterly Report of the Charitable Appeals Committee
- 3 The Bank's accounts for the year ended 28 February 1981
- 4 A paper and a draft Notice to Staff in connection with the proposed Selective Severance Scheme.

7-16
7-22-0
The Governor mentioned to the Committee that he had some remarks to make about the Burmah Oil case, but proposed to reserve them for the Court.

7-60-02
The Governor spoke to the Committee about the current situation of this year's pay negotiations with the Union and referred to the conciliation meeting under the auspices of ACAS which had taken place on 9 June. At his invitation, Mr Blunden attended the Committee's meeting for this item, and took the Committee through recent developments.

Ames

60-02
He recalled the background to the Union's claim for 10% as from 1 March. The Clearing Banks' settlement had been at 10% and, if no cash limit constraint had applied, the Bank could hardly have settled for less than 10%. At the ACAS meeting the matter had been sensibly handled by the conciliator and BESO had been weaned away from their insistence on the 1 March settlement date, which would not have been in the Staff's best interests. It was also made clear that ACAS would not be prepared to appoint an arbitrator in circumstances where the Bank could not be bound by his findings. Mr Galpin had given an undertaking to the ACAS conciliator that he would recommend to Mr Blunden that he should bring proposals to Court today.

60-02
A discussion then followed in which the various problems posed for the Bank by the Civil Service strike over the Government's refusal to improve their offer of 7% were extensively considered.

60-02
It was concluded that while the Committee were content for the matter to be discussed by Court, they did not feel they could at present recommend to Court any particular negotiating stance.

A. J. L. Williams
Secretary of the Bank

THURSDAY 18 JUNE 1981

Present

The Governor
The Deputy Governor
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

160-02 Discussion about the form of proposals to be made to the Union concerning an increase in Bank salaries as from 1 July was resumed; and the Governor referred to the paper which, at his request, Mr Blunden had produced to show the range of settlements in the public, cash-limited sector, several of which were above 7%.

60-02 At the Governor's invitation, Mr Blunden attended the Committee's meeting for this item.

160-02 Mr Blunden then rehearsed the background to the present situation for the benefit of the Committee, including an account of the dilemma for the Bank because of the deadlock between HM Government and the Civil Service unions. He reported on an informal discussion he had had with a senior official in the Treasury; and the Deputy Governor reported a comparable conversation which was to the same effect.

60-02 Mr Blunden then suggested the negotiating position he would like to have.

160-02 A short discussion followed, in which it was noted that a cash limit system did not by itself necessarily provide an exact formula for a pay settlement. It was agreed that the negotiating position suggested by Mr Blunden should be put to the Court.

A. P. Williams
Secretary of the Bank

THURSDAY, 4 JUNE 1981

Present

The Deputy Governor
Lord Nelson
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

LT 50
SEC 10-01
The Deputy Governor spoke to the Committee about the Bank's Accounts for the year ended 28 February 1981 and the level of the payment to be made to HM Treasury in lieu of dividend. At his invitation, Mr Blunden attended the meeting for this item.

LT 50
SEC 10-01
The Deputy Governor explained that he would reserve his main comments on the Accounts and the Profit and Loss statement for the meeting of Court. These were at this stage being laid before Court only for consideration, and provisional approval would not be sought for them until next week. However, he would like to have the benefit of the Committee's preliminary views on, in particular, the implications of the net operating profit for 1980/81, £62.6 million, for the prospective total payment to HM Treasury this year.

SEC 10-01
He recalled that an interim payment of £2.5 million had already been made (following our original proposal to withhold any interim payment), which was the same figure as last year. On this occasion we had made no commitment about the final payment, though the Treasury certainly expected the total sum paid to be substantially larger than last year when there was a final payment of £4 million, giving a total of £6.5 million. For the purpose of illustration and comparison we were now

at

using a figure of £10 million. The Deputy Governor pointed out that earlier in the year we had been taking a gloomier view of the likely outcome of our discussions about a new procedure whereby the banks would hold interest-free balances with us. However, we now no longer envisaged major difficulties, and the system would probably begin to operate in August, though there might still be transitional problems for the finance houses. We now had a clearer idea, therefore, of the size of these balances, which in a full year would amount to some £330 million. We would expect this to increase with inflation. Similarly, we now expected the "clearing" balances to start at around £150-200 million but this would probably decline gradually to about £50 million as the clearers improved their techniques and economised their resources. Thus an initial total of around £500 million, not so far from the present figure, would run down to nearer £400 million in time. This prospect gave us no real concern as regards future profit levels. It could indeed produce embarrassingly large profits, but that was a problem for the future.

The Deputy Governor continued with an analysis of the evolution since 1971, but distinguishing the periods before and after the changes initiated by the 1976 Select Committee's Report on the Nationalised Industries, of the relation of the Bank's profits to its capital and free reserves and to the Treasury's "take", whether in dividend alone or in combined tax and dividend. These comparisons all pointed to £10 million as the appropriate figure for this year's payment to the Treasury. If accepted, it would at least enable the Bank to maintain its capital and free reserves at a roughly constant level in real terms. But it had to be recognised that this level had fallen substantially since 1971; it was also recognised that arguments in respect of the Bank's need for an adequate level of capital and free reserves carried little weight with the Treasury, who questioned our justification for a particular level - and even for having capital and free reserves at all (certain other central banks had none). In the circumstances, the Deputy Governor

SEC 10
SEC 10-01
CTA9
felt that he could not reasonably open with an offer of less than £10 million, a solidly based figure; but we could expect to be pressed for more in view of our large profits; and we should therefore be ready to move to, say, £12.5 million as a fall-back position. That would be tolerable.

SEC 10
SEC 10-01
CTA9
In the following discussion, the fear was expressed that excessive payments to the Treasury might provoke criticism by the banks of a system by which their deposits with the Bank were in effect passed on to the Treasury. The "windfall" tax on commercial banks' profits, from which the Bank of England had been exempted, was also mentioned. It was suggested that a tenable basis for negotiating with the Treasury might consist of offering both a payment of £10 million because it would preserve the real value of the Bank's capital and free reserves - and we would seek to get this principle accepted for the future too - and an additional once-for-all payment of £2.5 million, as being roughly equivalent to the windfall tax. The Committee were content for this approach to be floated with the Court.

A. H. Williams
Secretary of the Bank

THURSDAY 25 JUNE 1981

Present

The Governor
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last two Meetings, having been circulated, were approved.

The Governor spoke to the Committee about a development concerning the Glasgow Agency, and, at his invitation, Mr Blunden attended the Meeting for this and the two following items.

Mr Blunden explained to the Committee the problems that had arisen at the Agency: the exchange control operations function had disappeared; the note issue function could not keep the staff fully occupied; there was no alternative work available; the situation was exacerbated by the attitude of the Scottish banks who were anxious to protect their profits arising from their own note issue; it was difficult to let the empty space without prejudicing security now that Clydesdale had withdrawn. In addition we were under strong pressure from the Treasury to make further savings in note issue costs. The existence of a likely buyer for the Agency's premises gave an opportunity for closing the note centre; and the decision could be presented to the public in an entirely reasonable light. The Scottish banks would be content for the note issue function to revert to the Newcastle Branch. After a short discussion, the Committee expressed themselves as content with the line proposed.

At the Governor's invitation, Mr Blunden then spoke to the Committee about -

AM

- 60-02
- (i) developments in the pay negotiations with the Union and in the Union's consultation of their members since the last meeting of Court, and it was noted that no agreement had yet been reached;
- (ii) the recent discussions with officials of HM Treasury about the level of the total payment to be made by the Bank in lieu of dividend in respect of the year ended 28 February 1981. He reported that the Deputy Governor had agreed that if a payment of £15 million were acceptable to the Chancellor of the Exchequer he would be able to recommend it, although with reluctance, to the Court. Agreement to this figure would be quite without prejudice to the Bank's negotiating position in future years, especially as future income rested on arrangements with the banking system that were subject to impending changes. The Deputy Governor had not committed the Bank to a formula to establish the level of future payments, but had agreed to discussion on possible formulae; and, in the subsequent consideration of the matter by the Committee, the view was expressed that a formula, even were one attainable, would perhaps not be in the Bank's best interests.
- 10-01

37

A Minute of the Charitable Appeals Committee on the granting of a donation was submitted and referred to the Court.

A. J. T. Williams
Secretary of the Bank

THURSDAY 2 JULY 1981


Present

The Governor
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

With reference to Minutes of the previous meeting and earlier, the Governor informed the Committee of the Union's acceptance on 26 June of the Bank's across-the-board offer of a 7½% salary increase, as from 1 July, to the staff in the bargaining unit. The treatment of those on Scales 11a, 11b and 12 had, therefore, still to be determined.

At the Governor's invitation, Mr Blunden attended the Committee's Meeting for this item and, after describing how the Union came to agree to the 7½% increase, explained why he would recommend the same increase for the senior scales. Last year the pay award to senior staff in the Civil Service had been tapered, and there had been a strong wish that the Bank should adopt a similar approach: the senior scales had accordingly been increased by the same absolute amount as the increase to be paid to those at the top of the bargaining unit. This had, of course, distorted the differentials established by the 1979 Reclassification. In the present year HM Government had already imposed a 7% increase on senior Civil Service salaries, and there was no case for the Bank to pay less; the logic of the Government's action was that there was no impediment to the Bank awarding an increase of 7½% to their own senior staff. A further erosion of the differentials (which had fallen from about 30% 20 years ago to 15% in 1979 and to appreciably less after last year's tapering) would thus be avoided.



760-01
In the discussion that followed, the Governor pointed to the exposed position of the Bank in this area: the forthcoming publication of the Annual Report would show the increasing number of staff in the brackets above £20,000. We had to be sure that the people in those brackets deserved such high salaries. The proposal, however logical, of a 7½% award had to be set in this context. Admittedly, the Selective Severance Scheme was designed to reduce our exposure.

760-01
It was pointed out that, of the 50 staff above the bargaining unit, 10% were expected to leave under the Selective Severance Scheme. Some Agents retiring in the next few years would be replaced at a lower scale. One Scale 12 had already left the Bank without a replacement.

760-01
Reference was made to the reviews of senior officials' performances by the Deputy Governor. It was emphasised that a coherent salary structure had to be maintained to ensure the retention and recruitment of adequate staff, but the complement of that was the importance of an efficient appraisal system and careful scrutiny of movements between and within the scales. These considerations told against tapering the 7½% award. With the proviso that further thought would be given, preferably when the outcome of the Selective Severance Scheme was more clearly known, to the question whether the present arrangements for senior salaries were right, the Committee agreed that the recommendation to increase salaries above the bargaining unit by 7½% should be put to the Court.

50-10 01
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The Governor recalled that the Court had given their provisional approval to the draft Accounts of the Bank for the year ended 28 February 1981 on the basis that a total payment in lieu of dividend of £15 million would be tolerable. It was now known that that amount would be acceptable to HM Treasury. The Accounts, reflecting that payment, were laid before the Committee, who agreed to recommend to the Court of Directors that the Accounts be approved and signed.

A. J. Williams
Secretary of the Bank

THURSDAY 9 JULY 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

CT 60
CT 68
CT 69-01
CT 69-09
Office File

The Governor introduced the question of treatment of certain staff found to be redundant, both at the Newcastle Branch and, with reference to a Minute of the Meeting of 25 June, at the Glasgow Agency.

CT 60
CT 68
CT 69-01
CT 84-02
Office File

At his invitation Mr Page and Mr Blunden attended the Committee's Meeting for these connected items. Mr Blunden drew attention to the declining volume of work for the Mutilated Notes Section at the Newcastle Branch (where all the Bank's work of this kind was undertaken). The expensive nature of the operations on which the staff concerned were employed had been noted by successive visiting Directors. Applications from the public for reimbursement in respect of mutilated notes had fallen from 160,000 in 1977/78 to about 90,000 in 1980/81 and were probably running at no more than an annual 60,000 now. Most of the reduction was in £1 notes, reflecting both their falling value - it was not considered worthwhile to put in a claim - and the greater readiness of the banks to go on handling soiled and damaged notes. The upshot was that we now needed only 15 out of the present 18 Supplementary Staff who were engaged full-time on this work and none of the 26 Part-Time Staff. The surplus staff could not be employed on other duties. The proposal was therefore to make all the Part-Time Staff at the Branch redundant and to offer voluntary redundancy terms (on the basis of the Selective Severance Scheme) to the full-time Supplementary Staff with a view to reducing their number from 18 to 15.

Ad

CT60
CT68
CT69-07
CT84-02

Office File

After a brief discussion, which recognised that, however disagreeable the proposal was, the Bank had no option but to accept it, the Committee agreed to recommend it to the Court.

CT60
CT68
CT69-09
Office File

Mr Page then referred to his discussions with the Royal Bank of Scotland about the disposal of the Glasgow Agency's building. The Royal Bank of Scotland had reaffirmed their interest in acquiring it, but it was apparent to both sides that no other buyer was in prospect and the Royal Bank of Scotland was therefore in a strong bargaining position. The Managing Director of the Royal Bank of Scotland was, however, disposed to be reasonable, and a price of £4.5 million might be attainable, which would virtually cover the Bank's original capital outlay, but no more than that. An important consideration was that the Royal Bank of Scotland had agreed to offer employment on their normal terms to all the surplus staff in the Agency, namely 14 Security and Services Staff and seven Banking Staff. The terms offered to the Banking Staff would be less favourable than those they enjoyed at present but Mr Blunden would be proposing that all staff would be granted compensation. We would wish to keep on the Agent and three other Banking Staff to continue the Industrial Liaison work, while there were three others who, it was understood, were inclined to retire anyway under the Selective Severance Scheme. In addition, the Royal Bank of Scotland was willing to let to the Bank suitable accommodation in another of their buildings for the Agency's remaining staff. In all the circumstances, Mr Page therefore sought authority to accept an offer from the Royal Bank of Scotland down to £4.25 million, though he would obviously aim for more. After a brief discussion, the Committee agreed to recommend to the Court that this authority should be given.

CT60
CT68
CT69-07
CT69-09
Office File

Mr Blunden then referred to severance terms. It was agreed that there was no alternative to offering terms in line with those used for the three voluntary severance schemes introduced since the closing of Exchange Control. The Committee agreed to recommend this to the Court.

Ad

File
A Report from the Committee to consider the Securities of Certain Funds, recommending that the target range for the Overseas Securities Sector of the Pension Fund's investments should be widened from 10 - 15% to 10 - 20%, was submitted and referred to the Court of Directors.

It was agreed to recommend to the Court of Directors that, consequent upon the forthcoming retirement of M J S CUBBAGE, MBE, General Manager, the following appointment be made with effect from 30 July 1981:-

T 60-01
G L WHEATLEY (54)
Scale 11b,
Deputy General Manager
Printing Works

to Scale 12, as General Manager,
Printing Works, at a basic salary
of £38,532

File
The Governor spoke to the Committee about a proposal, which he had agreed with the Prime Minister, that she should give a luncheon at the Bank after the Royal Wedding on 29 July for visiting Heads of State, Governors General and Heads of Government (with their wives) and for the Cabinet (also with wives), who would be attending the Wedding. It was considered that the luncheon should be held in the Court Room and the First Floor Luncheon and Committee Rooms. It would obviously be a considerable operation, with perhaps around 160 guests, and would involve many of the staff on the day. However, he hoped that the Committee would agree that it was right for the Bank to accept such a commitment. The Committee concurred.

A. J. Williams

Secretary of the Bank

THURSDAY 16 JULY 1981

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

At the Governor's invitation Mr Page attended the meeting to inform the Committee, with reference to a Minute of the previous meeting, about his further negotiations for the sale of the Glasgow Agency's building to the Royal Bank of Scotland.

He prefaced his remarks by remedying an omission in the account given to the Committee and the Court last week of his previous discussions. He had additionally pointed out to the Royal Bank of Scotland that in the event of failure to sell the building the Bank would feel obliged to make full use of it by issuing as many notes as possible through it.

Mr Page then described the course of his more recent discussions, following the receipt by the Royal Bank of Scotland of valuations of the building, on an existing use basis at £3,475,000 and of £2.3 million as an office block only. The Royal Bank of Scotland would need to spend considerable sums on the building to adapt it to their particular requirements, including security arrangements for the floors above ground level - in contrast to the Bank's requirement for note issue only, which took place below ground, the Royal Bank of Scotland would be doing a note sorting operation as well, an above ground level activity. The Managing Director was accordingly not prepared to put a price of £4.5 million to his Board, but was prepared to put £4.25 million. The Board, however, concluded that they would only go so far above the valuation as £4 million for

APM

CT60
CT68
CT69-09

the building itself; but they would go half way to the additional £0.25 million we were seeking, on the basis of a price for fixtures and fittings, if left in the building to an agreed value of £125,000. They would also, as already indicated, offer employment on their terms to all the staff at the Agency surplus to the Bank's future needs who wanted it. These sale conditions were approved by the Royal Bank of Scotland Board, subject to the consent of the Court of the Bank, and also of that of the local authority to the proposed alterations.

CT60
CT68
CT69-09

After a short discussion from which it emerged that the Bank had no alternative but to accept those terms, the Committee agreed to recommend to the Court that the sale of the Glasgow Agency's building to the Royal Bank of Scotland should be effected accordingly.

CT50
CT52
CT74-03
Office File

The Deputy Governor then spoke to the Committee, at the Governor's invitation, about the reasons for omitting from the 1981 Annual Report, the book proof of which was before the Committee, the traditional short review of Domestic Monetary and External Policy: given the Accounts of policy developments that appeared regularly in the Quarterly Bulletin, it was difficult, particularly with the lapse of time between publication and the end of the year in question, to produce an adequate review for the Report; and the review did not, it seemed, receive much attention outside. However, there was no intention to reduce the Bank's commitment to comment on developments, and the idea of producing an annual commentary of monetary and economic policy, which had been tried once in the Bulletin, was considered worthwhile and would be pursued, but in that publication. The Committee accepted this explanation; it was pointed out that the chief aim of the Annual Report should be to illuminate the Accounts themselves and on that basis a general review of policy was hardly appropriate.

CT50
CT52
Office File

It was agreed to recommend to the Court of Directors that the Annual Report and Accounts of the Bank for the year

AS

CT 50
CT 52
Advice File
ended 28 February 1981 be printed and issued, subject to the deletion of the phrase on page 17 "(compared with £25.4 million)".

CT 90
The Governor spoke to the Committee on a legal action involving Hambros Bank and its possible implications.

A. J. L. Williams
Secretary of the Bank

THURSDAY 30 JULY 1981

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

With reference to Minutes of 26 February and earlier, the Governor spoke about the discussions that had been taking place about new arrangements for monetary control. These were due to take effect as from 20 August, and the final paper would be issued on the 5th of that month, accompanied by an official statement explaining the system's operation and referring to the suspension of the present Minimum Lending Rate arrangements, subject to the retention by the Bank of the option, in special circumstances, to announce in advance what its lending rate would next be. The intention was that, in nearly all cases, the market should deduce the Bank's intentions from its actions; but on occasion it might not be desirable or practicable to take the appropriate action in the market, and the Bank might then wish to announce, ahead of action, what its next rate of interest would be.

The suspension of the Minimum Lending Rate system would mean that the formal approval of the Court to changes in the Rate would no longer be sought. It was therefore necessary to arrive at the Court's future part in regard to the Bank's policy on short-term interest rates. The Governor recalled the origins of the present situation: a Resolution of November 1959, which followed the Parker Tribunal of 1957 about an alleged Bank rate "leak", and connected proposals made by the Radcliffe Committee. The Resolution delegated to the Governor the power to decide Bank Rate, with the approval of the Chancellor of the Exchequer, subject to formal ratification by the Court. Thereafter, Members did not need to be consulted

AM

19
File
beforehand about a proposed change in Bank Rate. These arrangements were modified in 1972 when the Minimum Lending Rate system was introduced, but the procedure for changing Minimum Lending Rate in its administered form remained the same as for Bank Rate.

1999
File
He had considered whether the present procedure should or could be adapted to the new arrangements for, normally, implementing interest rate policy either through changes in the Bank's open market operations or in its lending rate, which would be alterable day by day. He had concluded that it could not, mainly because this would involve giving Members advance knowledge of operational changes or confidential information about operational intentions, which would be awkward for them and contrary to the Parker and Radcliffe conclusions. In any event there seemed to be little value in the present formalities.

1999
File
A question of substance did, however, arise: what could the Court usefully do to help the Bank, in consultation with H M Treasury, to take the right decisions about interest rate policy? In his view, the Court's practice in this respect would be improved if they had a monthly discussion of interest rates and related matters, which could follow the monthly presentation of the money and banking figures by the Home Finance Director. Members would naturally be free to express views about interest rates in the light of their own special experience. Such discussion would be helpful to him and the Executive Directors, even if such advice as might be given had little observable or immediate effect on the Bank's actions.

1999
File
In the following discussion it was agreed that the present procedure was very much a formality and that a regular discussion of interest rates would be valuable, particularly as it seemed likely to achieve the object of strengthening the Governor's hand vis-a-vis H M Government.

1999
File
The Governor then drew attention to a proposed Resolution, which was designed to maintain the delegation by the Court to the Governor of the authority to decide the rates of interest at

[Handwritten signature]

CT 99
Office File

which the Bank operated in the money market. The suggestion was, moreover, accepted that a further Resolution could appropriately be put forward in August at the time when the new arrangements were introduced, so that the ending of the existing procedure for announcing the Minimum Lending Rate might be formally recorded. With this proviso, it was agreed that the new arrangements for the Bank's operations in the money market should be adopted; and that the Resolution should be recommended to the Court.

The Governor also spoke to the Committee on the following subjects -

- Office File
- 1 With reference to a Minute of 9 July, the very successful luncheon which had been held at the Bank by the Prime Minister on the previous day.
 - 2 In connection with the publication on 27 July of the Bank's Annual Report and Accounts, mentioned at the previous meeting, and the press reactions to it, his feeling that it would be desirable to publish earlier in the year; he asked the Deputy Governor to investigate the feasibility of this.
- CT 50
CT 52

Office File

The Quarterly Report on Errors and Omissions was submitted and, at the Governor's invitation, the Deputy Governor spoke about its main features.

CT 57
Office File

The Quarterly Report of the Charitable Appeals Committee was submitted and referred to the Court of Directors.

A. J. Williams
Secretary of the Bank

THURSDAY 6 AUGUST 1981

Present

The Deputy Governor
Lord Nelson
Sir Jasper Hollom
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

CT73-01
Office Rule

The Deputy Governor spoke to the Committee about two matters concerning the Direction. Following the awards made with effect from 1 July 1981 to the Staff and to Staff Pensioners it had become appropriate to consider what increases should be made this year to the pensions and ex gratia allowances for former Governors and Executive Directors, and also to review the Special Remuneration payable to those members of the Court who gave full time service to the Bank.

CT70-01
Office Rule

First, as regards pensions, after declaring his own prospective interest and the actual interest of Sir Jasper Hollom, the Deputy Governor recalled that in 1978 and 1979 Court pensions had been increased by 7.4% and 11.4% respectively, reflecting the relevant increases in the Retail Price Index. In 1980 an award of 21% would have been justified on that basis, but the Court had accepted the Committee's view that the increase should be limited to 17% (the same as the increase in Staff salaries). He added that in each of the last three years increases in pensions for former members of the Staff had corresponded to increases in the Retail Price Index. On the basis of the increase in the Retail Price Index this year it would now be justifiable to propose an increase of 11.3% in Court pensions; and, following preliminary discussion with Sir Adrian Cadbury and having obtained the Governor's agreement that the Committee should consider the proposal, he now sought the Committee's views.

[Signature]

CT70-01
Office File

After a short discussion, in which it was emphasised that only a small number of people was affected and that it was hard to argue that they should be treated differently from Staff Pensioners, it was agreed to recommend to the Court of Directors that, with effect from 1 July 1981, the pensions and ex gratia allowances in payment to former Governors and Executive Directors should be increased by 11.3%; however, no part of these increases should be commutable.

CT70-01
Office File

Secondly, as regards Special Remuneration, after declaring his own actual interest, the Deputy Governor recalled that the Court had last month accepted the Committee's recommendation that the salaries of the Bank's Staff (including those above the bargaining unit) should be increased by 7.5% per annum with effect from 1 July 1981. In the previous year, however, while Staff within the bargaining unit had received an increase of 17%, the award to Staff above the bargaining unit was a flat sum of £4,383 per annum. The Governors and Executive Directors also received a flat sum award, but of £3,500 per annum.

CT70-01
Office File

As a result of further consultation with Sir Adrian Cadbury he had formed the view that there was no reason this year to do other than propose a 7.5% increase for the Governors and Executive Directors. The Governor was, similarly, content that this proposal too should be considered by the Committee. The Deputy Governor pointed out that, if approved, and after the addition of the statutory Fee, the increase would have little effect on the table of Directors' and employees' emoluments which appeared in the Bank's Annual Report and Accounts.

CT70-01
Office File

They had also to consider an award to Mr Dow, who had been appointed an Adviser to the Governor on 1 March this year, with a salary equal to the sum of the Special Remuneration and the £500 Director's Fee that he had been receiving as an Executive Director. As the Fee was fixed, a 7.5% rise in Mr Dow's salary would lead to a larger increase than that received

Ad

by Mr Fforde whose total Special Remuneration and Fee was now the same as Mr Dow's salary. He accordingly proposed that the salary increase for Mr Dow should be the same sum as the increase in Special Remuneration for Mr Fforde.

In the following discussion it was pointed out that to propose an increase smaller than that awarded to the senior Staff would damage the structure that had been so carefully established; that the increased salaries would still be quite modest in comparison with comparable levels elsewhere in the City; and that some of the criticism directed towards the Bank's salaries in general, contrasting them with its exhortations to restraint in wage claims, was due to awkward timing: what was published about the Bank reflected the previous wage round, or even earlier ones. It was then agreed to recommend to the Court of Directors that:

- 1 the Special Remuneration of Members of the Court rendering exclusive service be increased by 7.5% to the following annual amounts (after rounding to the nearest pound below) with effect from 1 July 1981 -

The Governor	£73,637
The Deputy Governor	£52,137
Mr Fforde	£46,762
Mr Blunden	£44,612
Mr Page	£41,387
Mr Loehnis	£41,387

- 2 the annual remuneration payable to Mr Dow, an Adviser to the Governor, be revised as follows, also with effect from 1 July 1981 -

+ £3,262 to £47,262

The Deputy Governor also spoke to the Committee about the need, which he had reluctantly accepted and which now appeared to be accepted also by the Chancellor of the Exchequer, to seek legal powers to control takeovers of commercial banks.

A. J. Phillips
Secretary of the Bank

THURSDAY 17 SEPTEMBER 1981

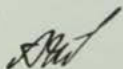
Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

The Governor spoke to the Committee about the following matters -

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1 The action taken by the Bank in the money market on 14 September to raise short-term interest rates. He explained that this action had preceded the first of the monthly occasions on which it had been envisaged, with reference to a Minute of the Committee of 30 July, that Members of the Court would be able to discuss interest rate policy in the light of the Governor's undertaking to report on the exercise of his delegated authority in that area. As regards the action taken, the main factor had been external, namely the gradual weakening of sterling since June, a decline which had grown cumulatively sharper recently, in particular against the deutschemark. The authorities had become uneasy about this development and its inflationary implications. The need thus emerged to take corrective action, and this appeared feasible only in respect of interest rates, as had been agreed with the Chancellor and the Prime Minister. We had been fully aware that our action would provoke a rise in the banks' base rates. While it had to be recognised that the crucial factor determining our action had been external, it was clear that it was not at all incompatible with the context of domestic policy, where the growth of bank lending to the personal sector gave cause for concern and where, as it happened, domestic interest rates, nominal and real, were comparatively low. The Governor went on to point out that reactions had been broadly



as desired, though he was well aware of the additional burden that would be placed on UK companies. A discussion followed.

2 The news that the Board of the Burmah Oil Company had decided not to appeal against the High Court judgment against the Company in respect of the holding of British Petroleum shares sold to the Bank.

3 The Direction, expressing the hope that Members would suggest, with the benefit of their industrial and financial contacts, names of people eligible for appointment as non-Executive Directors.

A. J. F. Williams

Secretary of the Bank

THURSDAY 8 OCTOBER 1981

Present

The Governor
The Deputy Governor
Lord Nelson
Sir Jasper Hollom
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

The Governor spoke to the Committee about the present arrangements for the Bank's welfare services and, in that connection, the administration of the Sports Club. He said that it had been concluded that changes were needed. At the Governor's invitation, Mr Blunden attended the Meeting to explain the background and the measures that were proposed to remedy the situation. We had been concerned on several counts. First, the close link in the existing system between the provision of recreational facilities and those relating to personal counselling; secondly, the decline in recent years in the latter function as a result of the fall in staff numbers and of the emergence of BESO, (but at the same time counselling had been considerably, but separately, developed as regards Bank pensioners); thirdly, the complexity of managing the Sports Club and the Roehampton site, with the Sports Club Committee acting as an independent employer; fourthly, problems over security at Roehampton; and fifthly, the effectiveness of the present Welfare Adviser and of the Catering Manager at Roehampton. The intention was to announce shortly the disbanding of the present Welfare Office and the transfer of the management of the Roehampton complex to a Recreations/Roehampton Manager responsible to the Premises Division of the Corporate Services Department. The Sports Club as such would no longer employ staff: some of the existing staff would be employed by the Bank and the others by BE Services, who would take over the catering (the moment was opportune as the Catering Manager was likely to retire on a sick

pension). The Recreations Manager would also be the General Secretary of the Sports Club. The personal counselling services provided by the Welfare Adviser would be undertaken by the present Pensioners Liaison Officer. The other Welfare Office functions, largely clerical, would be allocated within the Corporate Services Department. The changes would be gradually implemented.

In the following discussion some anxiety was expressed over the acceptability of the new arrangements to the staff concerned; but Mr Blunden emphasised that consultation about them had taken place over several months, that they were thought generally satisfactory by the Sports Club; and that the Chief of Corporate Services would ensure that a full and re-assuring description of the changes was given to the staff. The Committee was content.

With reference to a Minute of 30 July, the Governor recalled that he had asked the Deputy Governor to investigate the desirability and feasibility of advancing the publication date of the Bank's Annual Report. He invited the Deputy Governor to inform the Committee of his conclusions, of which he (the Governor) said he was aware and which he had found wholly persuasive. He asked Mr Blunden to remain for this item also. The Deputy Governor then explained that he had consulted those chiefly concerned in the Bank about this question. Although it was feasible for the Annual Report to be published at about the same time as the June Bulletin, a course which would make clear why the Report was confined to the Bank's affairs, there had in fact been no complaint that the Report's coverage of the economy was too thin and no criticism when, this year, economic commentary was omitted altogether from the Report. As regards the treatment of wage and salary increases for the Bank's staff, advancing the publication date would bring no advantage. Indeed, the present date of publication probably minimised the risk of adverse comment. As far as the date of the settlement itself was concerned, it was helpful to keep this at the end of the wage round; and this factor outweighed any presentational gain that an earlier settlement date might produce for the Report. The conclusion was that we should concentrate on improving the way the salary settlement was presented in the

Report, perhaps by including it in the text and setting out explicitly the arguments in its support, instead of, as at present, risking the criticism that there was something to hide because it was mentioned only in a footnote. After a brief discussion the Committee expressed agreement with this approach.

A Report of the Debden Committee about the operation of the Printing Works in the half-year ended 31 August was submitted and referred to the Court. In this connection, and with reference to a Minute of 5 February 1981, Mr Blunden was invited by the Governor to remain and inform the Committee of the position with regard to proposals (considered earlier by a Ministerial Committee) that the Printing Works might be included in the programme for disposal of public sector assets through a merger with Portals. Mr Blunden said that, following discussions with Sir Jasper Hollom and Mr Sheffield, he had recently written to the Treasury explaining why such a proposal was impracticable. The proposal was not likely to be pursued by Treasury officials and was unlikely to be pursued at all unless Mr Lawson's successor in the team of Treasury Ministers, Mr Ridley, shared Mr Lawson's views on the matter.

The Governor then spoke to the Committee about the Direction.

Cwm Maes

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Asst

Assistant Secretary of the Bank

15 October 1981

THURSDAY 15 OCTOBER 1981

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

Two
Office File

With reference to Minutes of 28 May and earlier, the Governor spoke to the Committee about a Report from the Staff Committee concerning the position of a small number of pensioners who had committed funds to Norton Warburg Investment Management Limited which had gone into liquidation earlier this year. At his invitation Mr Clay, the Chairman of the Staff Committee, attended and took Members through the Report and its recommendations.

Two
Office File

He explained that this company was one of four which had been mentioned to pensioners and those about to retire as providing advice on investment. In the course of giving advice the company had persuaded some pensioners to entrust sums, some of which were substantial, to it for management. A distribution of 22% had been made and it was possible that eventually there would be a total distribution of 60%. The Bank had already given assistance by way of interest free loans to some of the pensioners concerned and the Staff Committee felt very strongly that the Bank should adopt a sympathetic attitude. They therefore proposed that an interest free advance should be made to each pensioner of 68% of the amount proved in the liquidation. Combined with the 22% already paid this would amount to 90% of the amount proved. Each advance would be repaid from any distributions received and consideration would be given at

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the time to writing off, in whole or in part, any sums eventually outstanding. It was understood that if any amounts which might be written off were expressed as ex gratia payments no tax problems should arise. The maximum cost to the Bank would be around £160,000 together with the loss of income on the sums advanced.

In the discussion which followed it was noted that the Bank had no legal obligation - the proposals arose from the Bank's traditional role as a good employer - and that, at this point, the Bank should do no more than indicate an intention to consider at the appropriate time writing off all, or part, of any outstanding amounts.

It was agreed to recommend the Staff Committee's proposals to the Court of Directors.

A. J. Williams
Secretary of the Bank

THURSDAY 12 NOVEMBER 1981

Present

The Governor
The Deputy Governor
Lord Nelson of Stafford
Sir Jasper Hollom
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

The Governor spoke to the Committee about the Direction.

A. J. T. Williams

Secretary of the Bank

THURSDAY 19 NOVEMBER 1981

Present

The Deputy Governor
Lord Nelson of Stafford
Sir Jasper Hollom
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

The Deputy Governor spoke to the Committee about the following -

- 1 The series of Quarterly Reports on Errors and Omissions which were submitted to the Governors under Orders of Court of 22 March 1962 and 15 October 1970. He explained that the practice had been that the Governor, or the Deputy Governor, should inform the Committee of Treasury of any significant features in these Reports. This arrangement had been examined and the conclusion was that there would be considerable advantage in delegating consideration of the Reports to the Audit Committee. That Committee included Mr Blunden, who, as the Executive Director mainly concerned with general administrative questions, had to deal with most of the serious cases of errors and omissions that occurred; and they also had available to them the benefit of the Auditor's experience. If the change in practice was approved, the Audit Committee would naturally draw to the attention of the Committee of Treasury and of the Court any items or trends which they felt were of particular significance. The Deputy Governor also noted that the Chairman of the Audit Committee, Sir Jasper Hollom, was content with the proposal. The Committee agreed that the Minute to give effect to the change in procedure should be submitted for the approval of the Court.
- Office File*
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2 A Report of the Committee on Bank Premises. He pointed out that it included the recommendation that the Bank should change its policy on the in-house generation of electricity and that supplies should be taken instead from the London Electricity Board. At his invitation, Lord Nelson then drew the Committee's attention to the Report's main features. He noted that the Premises Committee were well satisfied with the work so far of Pell Frischman and were relieved by their conclusion that the modernisation of Head Office could be achieved without wholesale rebuilding. As regards the recommendation on electricity supplies, he added that the Bank would in fact be better protected if it was agreed that their electricity supply should come from an external source, because they would still retain the existing generators as a standby with the tanks full of diesel oil, whereas at present they were at risk from a cut in supplies of oil occurring when the tanks might be nearly empty. After a short discussion, in which it was stated that the standby facilities could be expected to carry about 75% of the full load, it was agreed that the Report, including the recommendation, should be submitted for approval to the Court.

3 With reference to Minutes of 16 April and earlier, the current discussion in the press and elsewhere of the offers made for the Royal Bank of Scotland, which were still under consideration by the Monopolies and Mergers Commission. He expressed concern at several aspects of this, including the rumour that the Commission might be assuming that they would be saved - by the prospect of legislation instigated by the Bank - from the need to determine the issues on their merits, and the impression now created of a gladiatorial contest between the Bank and those departments of the Government that apparently favoured the bid made by the Hongkong and Shanghai Banking Corporation, when in fact it remained a matter for the Commission to decide.

P. E. Lunn

Assistant Secretary of the Bank

THURSDAY 26 NOVEMBER 1981

Present

The Deputy Governor
Lord Nelson of Stafford
Sir Jasper Hollom
Mr de Rothschild
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

Three Reports were submitted and referred, without discussion, to the Court of Directors -

- (i) A Report of the Committee on Permanent Control of Expenditure.
- (ii) The Quarterly Report of the Charitable Appeals Committee.
- (iii) A Report of the Trustees of the Court Pension Scheme together with the Report and Accounts for the year ended 28 February 1981.

With reference to a minute of 19 November the Deputy Governor again spoke to the Committee about comment on the offers made for the Royal Bank of Scotland. In discussion it was agreed that it was desirable to encourage if possible a more thoughtful approach to the issues involved.

A. J. T. Williams

Secretary of the Bank

THURSDAY 3 DECEMBER 1981

Present

The Governor
The Deputy Governor
Sir Jasper Hollom
Mr de Rothschild
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved.

The Quarterly Report of the Audit Committee was submitted and referred without discussion to the Court of Directors.

CT 57
T 71-02
Other file

The Governor spoke to the Committee about a suggestion that had been made to him that he should accept an invitation to become a Trustee ex officio of a new Endowment Fund that was being proposed to help St Paul's Cathedral. This was against the background of a deficit on expenditure of around £100,000 a year. He was already a Trustee ex officio of the St Paul's Cathedral Trust, where the Trustees had no control over the income, which was at the disposal of the Dean and Chapter. In contrast, it was the intention that the Trustees of the new Fund should have discretion to give or withhold income. If he were to become a Trustee of the new Fund, the Bank would inevitably be expected to support it in addition to continuing to respond to appeals from the existing Fund. This fund was for capital expenditure; contributions towards current expenditure were normally outside the Bank's range for charitable donations, but it was not yet clear whether the new Fund would be confined solely to current expenditure. The Governor explained that he was somewhat troubled by the proposal. He already held a number of trusteeships ex officio. It represented an extra strain to give them the time they properly required.

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CT 57
T 11-02
See File
In discussion it was agreed that the Bank could give support to the new Fund on its merits irrespective of whether the Governor was a Trustee. Although such an office had traditionally been recognised as a public indication of support, it had perhaps become too easy and automatic to invite people to become trustees and there could well be other ways for the Governor and the Bank to indicate their support without involving him in another trusteeship. It was left that support would be offered to the promoters of the Fund, but stopping short of a trusteeship for the Governor.

CT 90
With reference to a Minute of the previous week there was a brief discussion of the situation regarding the bids for the Royal Bank of Scotland.

A. J. T. Williams

Secretary of the Bank

THURSDAY 10 DECEMBER 1981

Present

The Governor
Lord Nelson
Sir Jasper Hollom
Mr de Rothschild
Sir Adrian Cadbury
Sir David Steel

The Minutes of the last Meeting, having been circulated, were approved as amended at the Meeting.

With reference to Minutes of 12 November and previously, the Governor spoke to the Committee about the Direction.

A. J. T. Williams

Secretary of the Bank

THURSDAY 17 DECEMBER 1981

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved.

At the Governor's invitation, the Deputy Governor raised with the Committee the question of a contribution from the Bank to a Social Science Research Council scheme for funding economic research. He explained that the Chairman of SSRC, Mr Michael Posner, was setting up a "consortium" to provide a separate channel for SSRC support for the various bodies engaged in macro-economic forecasting and research. It was hoped to obtain around £500,000 a year from several sources: part from general SSRC funds; £100,000 from the Treasury; and the balance from additional donors. Mr Posner had approached the Bank for help, and would also be asking the clearing banks and other City institutions for contributions. By participating (as envisaged, from 1983), the Bank could expect to reduce, over time, some of its existing specific contributions, eg to NIESR; but some additionality would be involved.

The Deputy Governor proposed that the Bank should contribute £20,000 a year as from 1983. In return for this we would get a seat on the consortium and thus the opportunity to influence its disbursement policy. Moreover, not only would it be consistent with the stance of the Bank's policy in this area, but, in more practical terms, it might in time prove possible to economise our own resources by drawing more on the forecasts, etc, of the various beneficiary institutions. It had been ascertained that the Treasury would welcome the Bank's participation. After some discussion, in which it was noted, inter alia, that although the Treasury too would have a seat in the consortium, no strings

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would be attached to its support and that the contribution of the clearers etc would be indispensable for the scheme to succeed, the Committee approved the proposal.

Having invited Sir Hector Laing, with the Committee's consent, to attend their meeting for the item concerning the Direction, the Governor explained the circumstances of the first main item in the Court's agenda that day, namely the resignation of Mr J B Page on 28 February 1982 in order to become, with effect from 1 April, a member of the board of the Agricultural Mortgage Corporation Limited with a view to appointment as Chairman on 14 July 1982. A notice to this effect would be issued by the Bank that afternoon. The Governor then drew attention to the fact that the terms of office of Mr Fforde, Sir Adrian Cadbury, Mr Drain and Mr Scholey also expired on 28 February, and to the question of a successor for the remainder of Mr Page's term, which ran to March 1985. The Governor said that he was recommending to the Prime Minister and the Chancellor that Mr Page's place on the Court should be taken by Mr D A Walker, although with somewhat different responsibilities. In the case of Mr Fforde, who would by 28 February 1982 have served three full terms as Executive Director responsible for domestic monetary policy, he was recommending that he be succeeded by Mr E A J George. At the same time he intended to retain Mr Fforde's services for the Bank by appointing him an Adviser to the Governor for a four-year period. He also intended that from 1 March next Mr Blunden's responsibilities be extended to include the oversight of Banking Supervision which would continue to be under Mr Cooke. Finally, the Governor was recommending that the three non-Executive Directors whose terms also expired on 28 February (Sir Adrian Cadbury, Mr Drain and Mr Scholey) be reappointed for further terms.

In discussion the Committee concurred with the plans described by the Governor and also with his suggestion that he should explain them in similar terms to the full Court when Mr Page's resignation was shortly laid before them.

The Governor also spoke to the Committee about his recent speech in Bonn; about the successful progress being made with the establishment of PRONED; and about Laker Airways.

A. J. T. Williams
Secretary of the Bank

