

THE
MINUTE
BOOK
83

COMMITTEE OF TREASURY

MINUTE BOOK

82

THURSDAY 7 JANUARY 1982

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved, subject to an amendment on page 119.

T 219
Office File

At the Governor's invitation, Mr Blunden attended the Meeting and spoke about a Report of the Trustees of the Bank of England Pension Fund, signed by Mr Blunden as Chairman of the Trustees, and dealing with an Actuarial Valuation of the Fund as at 28 February 1981. On the basis of the financial assumptions used on the occasion of the last valuation in 1978, and after certain adjustments had been made, a substantial deficit had been identified. This was despite the special contributions of £7.3 mn and £13.5 mn made in the last two years. Two of the reasons for this could not have been anticipated by the Actuary in advance of his receiving the full valuation data - the need to adjust his assumptions for the mortality rates of current pensioners and widows to reflect their increasing longevity, and the effect of the change in the demographic structure of the staff following the various severance schemes.

T 219
Office File

He went on to explain the Actuary's four financial assumptions for estimating the deficit and the Trustees' recommendation for the adoption of Basis 2 together with the amended short-term assumptions for 1981/82.

This would result in a deficit of £34.4 mn and a required contribution rate of 21.3%. Although this deficit could be met solely by a lump sum payment of £25.9 mn, the Trustees considered this would probably be unacceptable to the Bank. It would, moreover, leave the present overall contribution

AGW

CT 219
Office File
rate of 23.2% as being 1.9% in excess of the required rate, and the Inland Revenue authorities might demur. They therefore considered it preferable to make a lump sum payment of £20.0 mn, together with an appropriation of 1.2% of the margin between the required contribution rate (21.3%) and the present rate. The remaining margin in the contribution rate would be available to meet the likelihood of increased liabilities in the future, such as further severance schemes and possible minor improvements in benefits.

CT 219
Office File
In the following discussion, it was noted that it had quite often been necessary to make "topping up" payments, but not on the scale now proposed. However, it should be possible to provide a satisfactory explanation, if required, of such a payment, in the light of the arguments above. It was also suggested that it was desirable to seek to maintain the rate of current contributions at a level adequate to meet liabilities as they arose. It was then agreed that the Report be submitted to the Court for approval.

CT 60
Office File
A note about the Selective Severance Scheme prepared by Mr Blunden was left for consideration by the Court.

CT 70-03
EC 1
Office File
With reference to Minutes of 17 December 1981, the Governor spoke to the Committee about the announcement of appointments and reappointments to the Court with effect from 1 March 1982 to be made from Number 10, Downing Street that afternoon, and about the further appointments and organisational changes he had in mind. He pointed out that the content of the title of Associate Director differed somewhat from that awarded previously to Mr Loehnis. After a discussion, 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 1982 -

- CT 70-03
EC 1
Office File
- (i) That the exclusive services of MR E A J GEORGE and MR D A WALKER be engaged during their respective terms of office as Directors and that they be entitled to the
- Ad

benefit, insofar as it applied to their respective cases, of the Scheme approved by the Court on 23 November 1978, for the payment of pensions etc to those Members of the Court rendering exclusive service.

- T70-03
Sec 1
Free File
- (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 GEORGE	£41,387 a year
MR WALKER	[redacted] a year

- T60-01
T146-01
Free File
- (iii) That MR J S FFORDE, whose term of office as a Director of the Bank would expire on 28 February, be employed by the Bank at the rank of Adviser to the Governor for a period of four years from 1 March 1982; that he should continue to be a Member of the Court Pension Scheme; that if during the four-year period he should decide to take his pension, cease to be an Adviser to the Governor and enter into a new contract with the Bank for work in connection with the Bank history, he would have the option to do so, but the Bank would not have the option to require him to do so; and that his remuneration be at the rate of £47,262 a year, subject to such overall absolute or percentage increment as might be agreed from time to time for Executive Members of the Court and to the fact that they received a fixed fee of £500 a year.

It was also agreed to recommend to the Court of Directors that with effect from 1 March 1982 -

- (i) the following be appointed Associate Directors at the salaries shown -

T229
Free File

MR W P COOKE	[redacted] a year
MR R D GALPIN	£41,379 a year

- Free File
- (ii) MR BRIAN QUINN be appointed to Scale 12 as an Assistant Director at a salary of [redacted]
- AM*

- (iii) the following be appointed to Scale 11a at the salaries shown -

760-01 MR IAN PLENDERLEITH [REDACTED]

MR L D D PRICE [REDACTED]

- 760-01 (iv) [REDACTED] be transferred to the Permanent Staff and appointed to Scale 11a at his existing salary of [REDACTED]

A. J. T. Williams

Secretary of the Bank

THURSDAY 14 JANUARY 1982

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.

CT57
File File
A Minute of the Charitable Appeals Committee on the granting of six donations was submitted and, without discussion, was passed to the Court for consideration.

CT57
File File
At the Governor's invitation, the Deputy Governor spoke to the Committee about the proposed establishment of a Chair in Banking Law at Queen Mary College, University of London. We, along with the five main clearing banks, had been approached for support, and, in view of the growing importance of this branch of the law and the Bank's increasing involvement and interest in the legal aspects of banking transactions, it was considered that, despite the size of our existing commitments of this kind, the Bank should agree to make a contribution of £5,000 a year for seven years towards the establishment of this Chair, subject to the proviso that the balance of the funds required would be obtained from other sources and that the project should get under way. After a short discussion, the Committee expressed its agreement.

CT74
The Governor spoke to the Committee about recent press comments affecting the Bank and a discussion ensued.

A. J. Williams
Secretary of the Bank

THURSDAY 21 JANUARY 1982

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.

CTwo
CT60-06
After File

The Governor spoke to the Committee about a Report from the Staff Committee covering the Chief of Corporate Services' annual review of general staff administration and about a paper, with which the Staff Committee were content, including proposals to deal both with the surplus of staff envisaged among the Technical and Services Staff of the Premises Division, by means of a Selective Severance Offer, and with the related topic of requiring staff to leave at their optional retirement dates.

CT60
CT60-06
After File

After a short discussion it was agreed that these papers should be passed for fuller consideration to the Court, where the Governor had in mind, as he had explained, that Mr Galpin, the Chief of Corporate Services, should be invited to attend the meeting to introduce the two papers.

CT90

With reference to Minutes of the last meeting and earlier, the Governor also spoke about the Report by the Monopolies and Mergers Commission on mergers proposed for the Royal Bank of Scotland, which had been published on 15 January; about the reactions to that Report on the part of the Government and others; and about his own views of the resulting situation. He mentioned the triviality of some press comment. A discussion followed, particularly on the question of maintaining the Bank's authority in a period of rapid evolution in the financial sector.

A. J. Williams
Secretary of the Bank

THURSDAY 28 JANUARY 1982

Present

A Full Committee

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

MS
Office File

The Governor spoke to the Committee about proposals for Bank support for the Royal Shakespeare Theatre in view of its impending move from the Aldwych Theatre to the Barbican Centre. The support would consist, first, of a contribution towards the expenses of the Theatre's move and, secondly, of a scheme for the regular purchase of tickets at the Theatre by the Bank on the lines of the current arrangements for tickets at the Royal Opera House, Covent Garden. At the Governor's invitation, Sir Jasper Hollom explained the background to the proposals, which arose from an appeal to the Deputy Governor from Mr L F Mathews, Chairman of the Royal Shakespeare Theatre Trust; and, after a short discussion, it was agreed to recommend to the Court of Directors that

- (1) a donation of £1,000 be made to the Royal Shakespeare Theatre Trust to assist in the theatre company's move to the Barbican Centre;
- (2) the Bank should then purchase theatre tickets there, at a net cost of up to £4,000 per annum, for official entertainment or, if not required for that purpose, for sale to the Staff at half price.

ST 70
Office File

The Governor then put forward proposals for attendance at Court as from 1 March 1982 by Mr Dow, a former Executive Director who was now an Adviser to the Governor, by Mr Pforde, the new Adviser

A. J. P.

to the Governor, and by the two new Associate Directors, Mr Cooke and Mr Galpin.

The following was suggested:

- (1) Mr Dow should continue to attend Court regularly - he retained his line responsibilities for the Bank's work on economics, which were the same as those he had exercised when he was an Executive Director.
- (2) Mr Fforde was passing his line responsibilities to Mr George, so there was no further need for him to attend regularly; but he should attend the monthly discussions on monetary aggregates and interest rate policy, although Mr George would normally be presenting those topics at Court (or Mr Coleby in his absence).
- CT 10
Office File. (3) The Associate Directors would be invited to attend Court when the relative agenda contained items of specific major concern to them, such as the Annual Report on Banking Supervision, staff administration matters, pay negotiations, etc, as was appropriate. They should attend, on those occasions, whether or not Mr Blunden was present; but there would be no presumption that they would attend whenever he was absent.
- (4) When Mr Fforde and the Associate Directors did attend Court, it should normally be for the whole Meeting; and they should sit at the junior position.
- (5) Other Heads of Departments or Divisions as well as Assistant Directors and Chief Advisers should continue to attend from time to time for specific items as already happened, but they should sit at the other end of the table and leave after completion of the item for which they had been invited to attend.

After a discussion, the Committee agreed that the Governor should recommend these proposals to the Court.

A. J. T. Williams
Secretary of the Bank

THURSDAY 4 MARCH 1982

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.

Office File
Arising from the Minutes, the Governor mentioned his favourable impression (at a concert marking the opening by Her Majesty The Queen on the previous evening of the Barbican Centre for Arts and Conferences) of the London Symphony Orchestra. After a discussion it was agreed that the possibility of making similar arrangements for the purchase of tickets by the Bank at London Symphony Orchestra performances as had been approved for the Royal Shakespeare Theatre would be investigated.

At the Governor's invitation, the Deputy Governor spoke to the Committee about the following -

- CT. 168*
Office File
- 1 With reference to a Minute of 17 April 1980, the question of the Bank's annual contribution to the Council of Foreign Bondholders. At that time the Bank's subsidy was £7,650 out of a total of £15,000 provided annually by the City. It would then have been inopportune to end the subsidy in view of the Council's heavy involvement in the Rhodesian debt negotiations; he had therefore recommended that the subsidy should be continued subject to a review after one year. Since then the Rhodesian negotiations had been concluded and, with a reduced volume of work, the Council had taken steps towards financing their future
- Adrian*

CT168
B. R. R. R.
outgoings from their own investment income. After reviewing their 1981 position, he had reached agreement with Lord Trevelyan that the matter should be resolved by means of a final payment of one half of the usual subsidy. The Committee agreed accordingly that the Bank should make a final payment of £3,825 in respect of 1981 and collect correspondingly reduced amounts from the other City contributors.

- 2 The recent appointment of Mr John Sparrow of Morgan Grenfell and Company Limited to the Central Policy Review Staff.
- 3 The issue to the public of shares in Amersham International; he pointed out that the Bank were not concerned with the arrangements or with the inquiry that had been set up into them. A short discussion followed.
- CT 85
CT 140

A. J. Williams

Secretary of the Bank

THURSDAY 18 MARCH 1982

Present

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

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

File
Arising from the Minutes, the Governor asked the Deputy Governor to inform the Committee of the result of an investigation into the possibility of the Bank buying tickets for London Symphony Orchestra concerts at the Barbican Centre on the same lines as had already been approved for performances there by the Royal Shakespeare Company. The Deputy Governor's recommendation that a net £1,000 from the net £4,000 that had been allocated for the Royal Shakespeare Company tickets should be devoted to the purchase of London Symphony Orchestra tickets, with a review of the position at the end of the calendar year, was accepted by the Committee.

CT 10-02
Office File
With reference to Minutes of 5 March 1981 and earlier, and having declared his contingent interest and that of the Executive Directors, the Deputy Governor spoke to the Committee about a review of the Personal Accident Insurance Policy for Members of the Court and their wives. In discussion, attention was drawn to the point that reducing the death benefit for himself and the Executive Directors from £85,000 to £45,000 as had been proposed (in view of the increased death benefit now provided for them under the Court Pension Scheme) would produce only a negligible saving in the premium; furthermore, the premium would not be increased if the benefits under the Policy were left unchanged. It was accordingly agreed that the Policy would be maintained as it was for a further year.

AM

With reference to Minutes of 2 July 1981 and earlier, the Deputy Governor spoke about the question of a formula for determining the dividend to be paid to HM Treasury from the profits of the Banking Department, both in the current and future years. He recalled that the Bank had consistently maintained as a matter of principle the importance of maintaining the real value of its capital and reserves. This principle had, however, never been accepted by the Treasury. The result had been that the annual negotiation with the Treasury on the size of the dividend had had the character of pure bargaining with the result an arbitrary compromise. These annual haggles tended to take up time and sour Bank/Treasury relations. He and Sir Douglas Wass had therefore in recent months had discussions to see whether it would be possible to devise a formula satisfactory to both sides. After a good deal of work and discussion a relatively simple formula had been evolved by which the dividend would be one-third of the pre-tax profit. As a matter of fact this formula would, if it had been in force, have resulted in much the same payments and retentions over the past ten years as had actually occurred. As regards the future, of course, it was impossible to say with any certainty how its operation would compare with the results of negotiation. The Deputy Governor was nevertheless in favour of adoption of this formula for a period of five years, subject to renegotiation by either side if circumstances (eg, the tax basis) changed in an important way. A particular reason which weighed with him was the recent arrangement for the uniform 1/2% deposits placed with the Bank by the commercial banking system which played a large part in generating the Bank's profits. He saw some value in mirroring this degree of automaticity with automaticity in the Bank's payment to the Treasury. It would certainly be important to avoid opening up the possibility of negotiating with the banking system for variation in their deposits with the Bank.

In the discussion that followed the view was expressed that, although the annual negotiation with the Treasury could admittedly be tiresome, it was important that the Bank should not be seen to abandon the principle of the maintenance of

AW

the Bank's capital in real terms. The Bank of England Act provided the Bank with a strong negotiating position since the dividend had to be agreed by both Treasury and Bank. It was agreed therefore not to suggest acquiescence in the formula at least for the time being. Further work should be put in hand to see whether we could justify any particular level of representing adequate or necessary capital and free reserves for the Bank.

SEC 10
SEC 10-01
LT 50
LT 40

In the meantime there was the immediate question of the interim dividend. Last year £2.5 mn had been paid out of a total of £15 mn finally agreed. In the light of the prospective profits, however, £2.5 mn had been a lower proportion than normal because at the time there was great uncertainty about the source of the Bank's income. After a short discussion it was agreed that this year the sum of £5 mn be offered to the Treasury as an interim dividend provided that it was made clear that this figure carried no implication at all as to the size of the total dividend which would ultimately be agreed.

It was agreed to recommend to the Court of Directors that the following appointment in the Gilt-Edged Division, Policy and Markets, be made with immediate effect -

██████████
Senior Manager,
Foreign Exchange Division,
Scale 8

██████████
as Senior Manager,
Gilt-Edged Division

In this connexion the Deputy Governor informed the Committee of the forthcoming move of G M Gill, Scale 11b, from the Money Markets Division to the Foreign Exchange Division, with the intention that he should succeed J L Sangster as Head of that Division when he retired in November 1982, and of other related moves.

A. J. Williams
Secretary of the Bank

THURSDAY 25 MARCH 1982

Present

A Full Committee

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

CT 50
SEC 10-01
The Governor referred to a matter arising from the Minutes, namely the offer that had been made to the Treasury at official level, with the Committee's agreement, of an interim payment of £5 million in lieu of dividend. He mentioned that it was the intention to inform the Court that day of the present position as regards both the Banking Department's profit and loss account for the year to 28 February 1982 and the question of the interim payment.

CT 50
SEC 10-01
At the Governor's invitation, the Deputy Governor then described the Treasury's initial reaction to the offer, which, in the form reported to him, had been unfavourable. It was agreed that, in further discussion with the Treasury, the Deputy Governor should maintain the Bank's view on the amount of the interim payment.

A. J. T. Williams

Secretary of the Bank

THURSDAY 1 APRIL 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
MR DE ROTHSCHILD
SIR DAVID STEEL

CT 70-01
Office File

The Governor not being present, and with reference to Minutes of 31 January 1980 and earlier concerning the Governor's pension arrangements, Sir Jasper Hollom recalled the continuing unsatisfactory position under this head. In particular, the Governor's existing pension under the Schroder scheme, to which the Bank had latterly contributed, lacked any provision for adjustment for inflation. Moreover, when in November 1977 the Schroder scheme matured, the Inland Revenue authorities had refused to permit the Governor to join the Court Pension Scheme. Although the Schroder scheme had formal Revenue approval, they described the approval as defective, apparently because the benefits had at the end of the day proved greater than they then found acceptable.

CT 70-01
Office File

In the light of the Revenue's attitude Sir Jasper Hollom said he believed at that stage that the matter could satisfactorily be resolved only by an ex gratia allowance granted by the Court when the Governor actually retired from the Bank and on which no decision could be taken before his retirement. As one interim possibility, however, he had recently consulted Messrs Willis Faber about the possibility of getting acceptance for the view that, since the Governor had since 1977 been a member of neither the Schroder nor the Bank scheme, he should be allowed to make separate pension arrangements himself on a self-employed basis. But Willis Faber considered that it would be difficult to persuade the Inland Revenue that the Governor was now in an employment separate from that during which he was covered by the arrangement with Schroders.

Alm

On the other hand they believed that the substantially higher level of the Governor's existing (and presumably also final) salary now provided scope to persuade the Revenue that he should be allowed to participate, even if only to a limited extent, in the Court Pension Scheme. The argument would depend on a calculation of the total value in pension terms of the existing pension and of the lump sum benefit received when it began to be paid. Of the total value, taken by Willis Faber to be £36,000, £18,000 would probably be counted against the Bank by the Inland Revenue, as the premiums paid by the Bank (in the period after the Governor joined the Bank) amounted to about half the total premiums on the policies that generated the pension. Under the Court Pension Scheme, on the assumption that ten years' service had been completed, there would ordinarily be a ten thirtieths pension entitlement, producing a pension of £25,000 on an assumed salary of £75,000. If the £18,000 were deducted as suggested above, £7,000 would be left to be taken under the Court Pension Scheme. It was also hoped that the Revenue could be persuaded, because of the lack of comparable provision in the Schroder scheme, to permit, in addition, a "dynamising" of the £18,000 from the date of the Governor's retirement from the Bank. Provision on these lines would be a useful start and would carry the advantages, since it would be incorporated in the Court scheme, of being tax efficient for the Bank and of involving no publicity at any stage.

The amount thus produced, if Revenue agreement could be secured, would doubtless not be satisfactory in the Court's eyes. However, other possibilities would still remain to achieve the level that Court judged to be appropriate. One would still be an ex gratia allowance granted after retirement (such as had, of course, been awarded in a number of earlier cases). This would be outside the Court Pension Scheme and would thus be less tax efficient for the Bank. Furthermore, it might well have to be disclosed in the Bank's annual Accounts. Another possibility would open up on the

ST 70-01
Office File

assumption that the Governor completed two terms. There was provision in the Court Pension Scheme for the Trustees, with the consent of the Bank, to increase any pension up to limits set by the 1970 Finance Act, and this in practice meant that someone who had served ten years might receive up to a full two-thirds pension. Allowance would of course have to be made for the pension received under the Schroder scheme; but this route would allow at least some further scope within the Court scheme.

ST 70-01
Office File

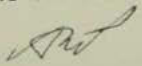
Sir Jasper Hollom concluded by recommending that the Committee should now authorise him to instruct Willis Faber to seek to negotiate with the Inland Revenue authorities an arrangement under which the Governor could come into the Court Pension Scheme on a basis allowing the greatest flexibility possible. The results could then be presented to the Committee and to the Court for consideration.

In the ensuing discussion it was pointed out that although under some such arrangement as was envisaged the Governor's position would remain uncertain, it would at any rate be less uncertain than at present. The recommendation was then approved by the Committee.

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

ST 70-01

With reference to a Minute of the previous week, the Deputy Governor described his further discussions with Sir Douglas Wass about the interim payment due to the Treasury in lieu of dividend, which had to be made on or by 5 April. Sir Douglas had not been happy with the offer of £5 million, instead of the £6 million which the proposed formula would have produced; and the possibility had been mentioned that the disagreement might have to be referred to the Chancellor of the Exchequer. The Deputy Governor said that, with the Governor's consent, he proposed to increase the offer somewhat, to £5.5 million. This would split the difference with the Treasury, while remaining, from the Bank's angle, sufficiently arbitrary, and, from the Treasury's, difficult to use as a sensible basis for involving the Chancellor.



cc 10-01
In discussion it was accepted that a refusal by the Treasury of the £5.5 million offer would necessitate discussion between the Governor and the Chancellor; it would obviously be unsatisfactory to resort to paying merely the £873,180 which would otherwise be due under Section 1(4) of the Bank of England Act 1946. The Committee expressed agreement with the course proposed by the Deputy Governor, which would be put to the Court that day.

CT 57
Office File
The Deputy Governor then described an appeal from the Oxford Centre for Management Studies, with a target of £1,300,000 to finance new Fellowships, buildings and an endowment fund for bursaries and research; he recommended that the Bank should subscribe £1,500 per annum for four years towards the appeal. This was approved.

CT 60-06
Office File
The Committee had before them a Report from the Staff Committee concerning recommendations made by the Standing Committee on Pensions for changes in pension benefits. Mr Clay, as the Chairman of the Staff Committee, and Mr Galpin, as the Chairman of the Pension Fund's Committee of Management, attended the Meeting for the consideration of the Report. Mr Clay explained the reasons for the Staff Committee's support or, in some cases, rejection of the recommendations. After a short discussion, in which a reservation was expressed on one point, the Committee agreed that the Report should be referred to the Court of Directors.

A. J. Williams

Secretary of the Bank

THURSDAY 8 APRIL 1982

Present

THE GOVERNOR
LORD NELSON
SIR JASPER HOLLOW
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

CT 101
CT 100
The Governor, emphasising the confidentiality of the matter, spoke first to the Committee about a short term unsecured credit facility of \$100 million to be provided by the Bank for International Settlements, supported by six of its shareholding central banks, to assist the National Bank of Hungary. This was the first time that a classical BIS central banking support operation had been mounted for an East European country.

CT 101
CT 100
The Hungarians had applied for membership of the International Monetary Fund, but some time would elapse before the process could be completed and, thereafter, before they could draw on the Fund's resources. Since the first week in March, when the President of the National Bank had made the initial approach to him, there had been a series of discussions and meetings. The President had explained to him that, although Hungary's economic performance was satisfactory, they were experiencing difficulties as a result of the situations in Poland and Romania.

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The Governor felt, as did the other central banks concerned, that it was important to recognise the value of preserving Hungary's market-oriented economic experiment, and to avoid steps which would tend to drive Hungary, which was in a sense a prime example of the working of détente, back into a much greater dependence on the Soviet Union.

CT 141
CT 100
It was important for the West to continue to differentiate in its policy towards the various East European countries. The Bank had agreed to participate in the proposed BIS facility, to the extent of undertaking to take over up to \$20 million of the total BIS claim on the National Bank of Hungary if the latter failed to repay, in whole or in part. The BIS facility was limited to a six month period, with a possible three months renewal thereafter. The Bank would be participating in the facility at its own risk, without a Government guarantee which had earlier been mooted. The Governor said that he had consulted the Chancellor of the Exchequer and the Foreign Secretary on the political aspects, and they were content.

CT 141
CT 100
SET 10-01
In a short discussion the point was made that this operation provided considerable support for the argument that the Bank should maintain an adequate capital base, and was thus relevant to the discussions about the annual payments due to HM Treasury in lieu of dividend.

CT 18
CT 82
The Governor also spoke to the Committee about the financial measures taken against Argentina. He mentioned, among other things, that it would have been hard to say that Argentine financial assets in the UK should not be frozen in the face of what amounted to an act of war.

R. Inman

*Assistant Secretary of
the Bank*

THURSDAY 15 APRIL 1982

Present

THE GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved subject to certain amendments.

CT18
CT82
CT90
With reference to a Minute of the previous week, the Governor spoke to the Committee about the statutory restrictions affecting transactions with the Argentine Republic, agreed with HM Treasury and announced on 13 April. Particular attention was drawn to the paragraph concerning the overseas branches of UK companies and businesses. The Governor also read to the Committee the letter he had sent the previous day to all banks and licensed deposit-taking institutions, giving general guidance in the matter of banking relations with customers in the Argentine Republic. A discussion followed.

A Report of the Staff Committee on the Chief of Corporate Services' annual review of Salary Policy and Fringe Benefits for the year ended 28 February 1982 was submitted and referred to the Court of Directors.

It was also agreed to recommend to the Court of Directors that the following appointment be made with effect from 7 May 1982

CT 60.01
[redacted]
a Principal,
Registrar's Department,
Scale 8

to Scale 9,
as an Assistant Chief
Registrar/Data Processing
Manager

A. J. T. Williams
Secretary of the Bank

THURSDAY 6 MAY 1982

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.

218 Mr Walker was invited to attend the Meeting to explain proposals which had been made by Finance for Industry to its shareholders, of whom the Bank was one, in order to restructure its balance sheet and to support future growth. Having described the background of FFI's requirements, Mr Walker went through the proposals, which involved a rights issue of £50 million. Mr Walker felt that, subject to two conditions stipulated by the other shareholders (the English and Scottish clearing banks), the proposals should be supported and, in particular, that it was important for the Bank to take up its share of the rights issue, at a net cost of about £2.25 million, as this would demonstrate continuing confidence in FFI. For the Bank not to do so, and thus accept a dilution in its shareholding, would risk weakening the standing of FFI in the markets. The Bank had two main concerns. The first was prudential, given that FFI was a licensed deposit taker with which the Bank was involved in its supervisory role. On that side we were satisfied, although we had agreed with the clearing banks that our close association with the FFI management should be still further strengthened. The second concern

AS

was "monetary". The core of FFI's business was fixed term lending, supplemented by equity participations. However, with the decline of borrower interest in fixed rate debt, it had increased the proportion of its variable rate lending, and had correspondingly tended to increase the proportion of deposits taken at variable rates and at shorter term. The growth in the proportion of its total debt which was short-term was not wholly satisfactory, as FFI was a long-term credit institution. The Bank had sought to promote FFI's dependence on longer-term finance, but its management could not be bound too rigidly to the upper limit that had been accepted for its short-term deposits. Mr Walker pointed out also that the mechanism of the proposed rights issue, under which FFI would pay a special £35 million dividend carrying with it a £15 million tax credit, would affect the clearing banks and the Bank quite differently. The clearing banks would plough back, as increased capital, the full amount of their respective shares of the dividend and the associated tax credits. The Bank, however, did not pay Advance Corporation Tax, and would have to put up cash instead of a tax credit, at a net cost of £2,253,000 (involving a gross payment of about £7.5 million).

In the following discussion the Governor mentioned that he had consulted Lord Benson, a former director of FFI, who also supported the proposals and agreed that the Bank's share should be fully taken up; but Lord Benson had emphasised too the desirability of a closer association with the FFI management in the new circumstances. The importance to the clearing banks of FFI's function was also stressed; they appreciated, as lenders, the value of FFI's thorough examination of potential business. In conclusion, the Committee agreed that the proposals, as outlined, should be recommended to the Court, but the Bank's agreement would be on the basis that FFI would be expected and required to share information with us fully in relation to its operations.

A. J. R. Williams
Secretary of the Bank

THURSDAY 27 MAY 1982

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 as amended.

CT 211
With reference to Minutes of the Court of 24 December 1980 and earlier, the Governor spoke to the Committee about the Report of the Tribunal appointed to inquire into certain issues arising out of the operations of the Crown Agents as financiers on own account in the years 1967-74, which had been published on the previous day. In the course of a discussion, he indicated that it was not at present intended that the Bank should issue any statement about the Report. Subject to the Committee's views, he proposed to do no more at present than make a short factual statement about the Report to the Court. He had in mind to ask Mr Blunden to arrange for the preparation of an internal study on whether there were any lessons to be drawn from the Report by the Bank, taking into account the extent of the changes in the Bank's organisation which had been introduced since the events dealt with by the Tribunal.

CT 60 06
The Committee had before them a Report from the Staff Committee on the subject of an increase in pensions and allowances. In Mr Clay's absence, Sir Hector Laing and Mr Blunden, who were also members of the Staff Committee, attended the Committee for this item (and remained in attendance for the two following items).



At the outset, the interests of Sir Jasper Hollom and Mr Blunden and the potential interests of other Members of the Court, namely the Deputy Governor, Mr Loehnis, Mr George and Mr Walker, were declared. At the Governor's invitation, Sir Hector Laing then 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 General Index of Retail Prices, 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 "extraordinary circumstances" could not be held to apply and that pensions and allowances should therefore be increased as from 1 July in line with the increase in the RPI over the year ending May 1982. In discussion, it was emphasised that implementation of the Staff Committee's recommendations should involve no strain on the Pension Fund's resources, nor any need for an injection of cash into the Fund; that the gap between the RPI increase and the likely across-the-board salary increase would certainly be smaller than in previous years; and that many of the staff who had left the Bank voluntarily on special severance terms had done so on the assumption that "indexing" would continue to apply to Bank pensions. It was, moreover, accepted that an increase in staff pensions in line with the RPI carried no implication for the Court Pension Scheme. The Committee agreed that the Staff Committee's Report should be referred to the Court of Directors.

A Report of the Committee on Bank Premises about the project for the modernisation of the engineering services in Head Office was also submitted. At the Governor's invitation, Lord Nelson spoke about the Report and its recommendations, drawing attention in particular to the point that the Court's acceptance of the Committee's recommendations would not formally commit the Bank to expenditure other than on the consultants' fees; and even at the stage when decisions on capital expenditure had to be taken there would be considerable scope for spreading the allocation of funds over a period as seemed desirable at the time. After a discussion, the Committee agreed that this Report too should be referred to the Court.



CT 60 The Governor spoke to the Committee about the particular case of a Bank pensioner, Mr M G V Cadney, who had retired under the Selective Severance Scheme in June 1979. It had been agreed that he should visit the Saudi Arabian Monetary Agency with a view to subsequently taking up the post of Project Manager for the Saudi Arabian Clearing Project. The Committee agreed to the proposal that he should be regarded, in connection with that journey, as a Member of the Bank's staff and accordingly be covered by the regulations relating to grants in the event of accidental death or injury applicable to those travelling in the Bank's service, and also by the Bank's baggage insurance scheme.

A. J. T. Williams
Secretary of the Bank

THURSDAY 3 JUNE 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLON
MR de ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

A Quarterly Report of the Audit Committee was submitted and, without substantive discussion, referred to the Court.

With reference to a Minute of the Court of 25 March 1982 about the Bank Provident Society, and after Sir Jasper Hollon had declared his interest in the matter as a policy holder, the Deputy Governor explained to the Committee that three points had to be resolved before detailed proposals for the voluntary winding up of the Society could be put to its members. He sought the Committee's agreement to the line that the Governor and he proposed to adopt on those points, namely:

*cf. 66
other file*

- 1 To endorse changes in the Society's rules to terminate all outstanding contracts of assurance with the Society on 30 November 1982.
 - 2 To regard as available for distribution, in the course of the winding up, a "General Reserve" amounting to £14,500 in the Society's books and which arose from the Bank's purchase from the Society in 1922, at cost, of certain securities which had since depreciated.
- AS*

- 3 To reject a proposal which had been revived by the Managers of the Society (having first been put forward in 1971), that the Bank should consider repurchasing from the Society a holding, bought from the Bank in 1915 in its original form of 3 1/4% Perpetual Annuities, of Mersey Docks and Harbour Company Irredeemable Debenture Stock.

After a short discussion, the Committee expressed their concurrence with the line proposed.

A Minute of the Charitable Appeals Committee recommending that a donation of £10,000 be made to the South Atlantic Fund was submitted. After an explanation of the circumstances by Sir Jasper Hollom, who referred to the donations that it was understood that the clearing banks were making, it was agreed that the Minute should go forward to the Court.

A. J. Williams

Secretary of the Bank

THURSDAY 10 JUNE 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLAM
MR de ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

560 10.01
61 50.07
A Report of the Committee on Permanent Control of Expenditure was submitted. The Deputy Governor, in drawing attention to its main features, particularly the effects on the Bank of reductions in the cash limit laid down by HM Treasury, indicated that the higher level of savings now being achieved in several areas should enable the Bank to remain within the revised cash limit on the basis of a 6% pay award in July. Nevertheless there were some important questions of principle on which we could not leave the Treasury's arguments unanswered. It was agreed that in due course it might be useful to show Members of the Committee of Treasury and perhaps of Court some of the recent correspondence with the Treasury and our proposed considered response.

560 10.01
61 50
The Bank's provisional Accounts for the year ended 28 February 1982, together with a statement of "Internal Profit and Loss", showing a payment to the Treasury in lieu of dividend (for illustrative purposes) of only £5.5 mn, were also submitted. There was, in addition, a statement indicating various options for the size of the total payment to be made to the Treasury. After the Governor had explained that the Court's provisional approval of the Accounts would be sought next week, the Deputy Governor explained their main features. With the Committee's agreement, a discussion of the options for the payment to the Treasury was left to the Court.

A. J. L. Williams
Secretary of the Bank

THURSDAY 17 JUNE 1982

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLUM
MR de ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

A Quarterly Report of the Charitable Appeals Committee was submitted and, Mr de Rothschild having declared an interest in one of the charities concerned, the Report was referred to the Court.

CT50
CT221
CT219
With reference to a Minute of the previous Meeting, the draft Accounts of the Bank for the year ended 28 February 1982 were again submitted. At the Deputy Governor's request, Sir Jasper Hollom described some aspects of the progress of Slater Walker Limited and other subsidiary companies. Certain other points of detail in the accounts, including the provision made for the Pension Fund, were discussed.

SEC 10
SEC 10-01
The Deputy Governor then reverted to the question of the payment to be made to HM Treasury in lieu of dividend. He had discussed the matter with the Governor, who had suggested that it should be fully considered by the Committee, whose views would be reported to the Governor before any proposals were put to the Treasury. The Deputy Governor then recalled the arguments he had stated on previous occasions for adopting a formula

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(as provisionally agreed with the Treasury in earlier discussions), in particular that the Bank should pay one-third of its pre-tax profits, as well as the reluctance to accept any such formula that had been expressed by the Governor and other members of the Committee. On the one hand, the annual argument over the payment tended to sour relations with the Treasury; and, on the other hand, it appeared that acceptance of a formula implied giving up the principle of the need to maintain, or increase, the real value of the Bank's free capital and reserves - a principle which the Treasury had so far been unwilling to acknowledge. Investigations had demonstrated the difficulty of establishing criteria for a particular absolute level of free capital and reserves, although, on the basis of adequacy of provisions against losses (in the light of the Bank's experience in the 1920s and the 1970s), a figure of £150 mn seemed defensible; and this turned out to be close to the actual figure of £143 mn. It was fortuitous, but perhaps helpful, that for 1981/82 at any rate the application of the proposed formula would also achieve the result of maintaining the Bank's free capital and reserves in real terms. Whatever arguments were adduced on either side, we were unlikely to come up with a solution any different from one indicated either by the formula or a "maintenance of value" criterion. The Deputy Governor concluded by suggesting that, subject to the Governor's agreement, he should propose to the Treasury that discussion each year about the payment would begin on the basis of the figure produced by the formula, but a divergence from that figure could be permitted in the light of relevant current factors, with each side free to deploy arguments in favour of a divergent figure. This procedure would be reviewed after, say, three years. He felt that it would provide sufficient freedom of manoeuvre, without any surrender of principle by the Bank but also without such a likelihood of prolonged acrimonious exchanges with the Treasury.

In the following discussion a number of points were made. The force of the Deputy Governor's arguments were generally recognised, but some misgivings were expressed.

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It was pointed out, for example, that the Treasury's support for a formula was based on their wish to obtain the largest possible dividend rather than on the interests of the Bank as generator of profits; and that the formula, especially when applied at an unfavourable moment, might make it harder at any stage to increase the real value of the free capital and reserves. Nevertheless, the line proposed by the Deputy Governor received broad assent, but with the rider that it would be important to obtain explicit recognition from the Treasury that the principle of the maintenance of the real level of the Bank's free capital and reserves was a valid factor to be employed in the discussion in any year.

Subject to the Governor's agreement, the Committee endorsed the Deputy Governor's proposal that, supported by the appropriate arguments, he should put straight to Sir Douglas Wass a proposal in the £17-18 million range (for the total payment), this being the range indicated both by the criterion of maintaining the real value of free capital and reserves and by the formula; he should not attempt to start lower as a negotiating ploy.

A. J. T. Williams

Secretary of the Bank

THURSDAY 1 JULY 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
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.

Arising from the Minutes the Deputy Governor described the subsequent discussion he had had with Sir Douglas Wass, who felt, as regards the formula, that the Bank's proposed modification was equivalent to abandoning the idea altogether and sought to persuade him that the proposal should be strengthened by language on the lines: "that there would be a strong presumption that the formula would prevail". The Deputy Governor had replied that the Court had, on the contrary, thought that the proposed wording had been, if anything, too weak. They had then turned to considering the figures for the current year: the Deputy Governor had suggested the figure of £17.5 million as this would approximately maintain the value of the free capital and reserves deflated by the Retail Price Index. Wass responded with a request for £19 million on the grounds that this year, because of tax allowances, the Bank's tax rate was below 50%, so that a payment of £19 million would produce rough equality between it and the amount of profit to be transferred to reserves. At that point the discussion had been adjourned.

SEC 10 01

The Deputy Governor suggested to the Committee that he should resume discussion with Wass with an offer of £18 million, which he believed he could persuade him to accept and which he would

SEC 10 01

AM

make on the basis that the figure was as high as the Bank was prepared to go. After a short discussion the Committee concurred with the line proposed by the Deputy Governor.

The Governor said he had received from Mr David Hopkin, the Chief Metropolitan Stipendiary Magistrate at the Bow Street Court, a request for a contribution from the Bank towards the Bow Street Police Reward Fund. Mr Hopkin wished to increase the Fund's capital value, now a little over £9,000, to a size which would enable him to give rewards of a more reasonable size than he could at present. The Governor recalled that the Bank already gave about £3,000 a year to various police charities, but these were mostly concerned with the dependants of policemen: the Bank did not contribute to funds which provided rewards. He felt that this was a very worthy cause and recommended that the Bank should make a donation. After discussion, it was agreed that £1,000 should be given.

A report of the Committee to consider the Securities of Certain Funds was submitted and referred to the Court without discussion.

At the Governor's suggestion, and with reference to a Minute of the Court of 17 June, Mr Blunden was invited to attend the meeting to speak about the stage reached in the negotiation with the Union about the claim for an across the board increase in salaries and about a series of claims for other improvements in fringe benefits.

Mr Blunden began with the fringe benefits. In response to the Union's request for extensive increases in leave allowances, his concession of no more than an additional day of annual leave for some categories on the four junior scales and their equivalent had been accepted, although the Union wished their dissatisfaction to be recorded and would doubtless revert to the matter next

CT 60.02
 year. He had refused their demands for making the London Allowance pensionable and for free lunches. As regards the claim for an extension of free BUPA membership, his concession was limited to new pensioners who had been members of BUPA while on the active staff, subject to a restriction, as from the age of 65, to the "provincial hospital" scale. This was accepted. The Union had, furthermore, offered to move the salary settlement date from 1 July to 1 June, as they felt the later date caused the Bank some difficulty. But Mr Blunden had declined - it would mean an eleven-month settlement. Finally, as regards the pay claim itself, he recalled that the Union had reduced it from 9.5% to 7.2% at the latest Negotiating Council meeting. They had subsequently come down to 7.0%: but he had rejected that figure and had also declined to put forward the "cosmetic" 6.9%. He now understood that the Union were prepared to settle at 6.8%, and he had agreed to put that figure to the Court.

CT 60.02
 He was confident that, in the absence of extraordinary events, it would be compatible with a strict application of the cash limits. If, however, a 6.8% increase was not accepted by the Bank, a further disagreement would have to be recorded in the Negotiating Council and the matter would go to arbitration. At that stage, faced with a difference between the Union's claim for 7.0% and the Bank's counter-offer of 6.5%, the arbitrator would almost certainly prescribe something near to 6.8%. In addition, Mr Blunden expressed the view that it would not be appropriate for any tapering of the increase to be applied to the senior scales above the bargaining unit, particularly as in the Civil Service settlement this year some "untapering" had occurred for the senior grades. After a short discussion, it was agreed that Mr Blunden should recommend to the Court that an increase of 6.8% should be accepted, and should be applied also to Scales above the bargaining unit.
 CT 60.01

A. J. Williams
Secretary of the Bank

THURSDAY 15 JULY 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
MR de ROTHSCHILD
SIR ADRIAN CADBURY

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

SEC 10.01
G: 50
CT 60.01

The Deputy Governor drew the Committee's attention to several features of the Bank's Annual Report and Accounts for the year ended 28 February 1982, which were expected to be published on 26 July. With reference to a Minute of the Court of 8 July, he also mentioned that the Chancellor's agreement had been received on the previous day to the figure of £18 million for the payment to HM Treasury in lieu of dividend. After a discussion, chiefly about the levels of remuneration to the senior staff of the Bank in comparison with those prevalent elsewhere, it was agreed to recommend to the Court of Directors that the Annual Report and Accounts of the Bank for the year ended 28 February 1982, including the Annual Report made by the Bank in pursuance of Section 4(1) of the Banking Act 1979, be printed and issued.

A Report of the Staff Committee about the Chief of Corporate Services' Annual Report on Manpower Review and Planning was submitted and referred without substantive discussion to the Court.

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CT 49
CT 50
CT 110

The Governor then spoke to the Committee about problems arising from opinions on interest rate and exchange rate policy expressed by leaders of the Confederation of British Industry, and a short discussion followed.

P. S. Johnson

Assistant Secretary of the Bank

29 July 1982

THURSDAY 29 JULY 1982

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.

Office file
97.70.

[REDACTED]

A. J. T. Williams

Secretary of the Bank

THURSDAY 12 AUGUST 1982

Present

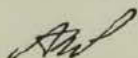
THE DEPUTY GOVERNOR
SIR JASPER HOLLOM
MR de ROTHSCHILD
SIR ADRIAN CADBURY

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

45.70.01
office file
The Deputy Governor spoke to the Committee about two matters concerning the Direction, following the awards made, with reference to Minutes of 27 May and 1 July 1982 and with effect from the latter date, to Staff Pensioners and to members of the Staff, respectively.

45.70.01
office file
First, as regards pensions, after declaring his own interest and that of Sir Jasper Hollom, the Deputy Governor recalled that increases over the last four years had equalled the increase in RPI (June-on-June) except in 1980 when the increase had been equal to the Staff pay settlement (17%) rather than the RPI (21%).

45.70.01
office file
The straight application of the RPI (June-on-June figure) for this year would yield a figure of 9.2%; and this seemed the most straightforward proposal. If, however, it were thought appropriate to taper the pension increases at all there had in the past been consideration, at Lord Robens' instigation, of some different treatment for pensions above £20,000 a year. Perhaps one might consider that all pensions above £20,000 a year should be increased by a flat amount equal to 9.2% of £20,000.



In a short discussion the view was expressed that tapering always gave rise to problems in the future and was best avoided if possible. In the present case the savings involved would be minimal. Moreover there was no virtue in a bar at the particular figure of £20,000, and the view was expressed that no regard should be taken of this figure in the future.

It was then agreed to recommend to the Court of Directors that the annual pensions and ex gratia allowances in payment to former Governors and Executive Directors (with the exception of Mr J B Page) should be increased by 9.2%. In the case of Mr Page, whose pension came into payment as recently as 1 March this year, the maximum increase allowed by the Inland Revenue would be 3.9% (the increase in the RPI since March) and it was agreed that an increase of only 3.9% be made in Mr Page's pension. No part of any increases in those pensions would be commutable.

Secondly, as regards Special Remuneration and the salaries payable to two Advisers to the Governor and to the Associate Directors, after declaring his own actual interest, the Deputy Governor recalled the Court's agreement to a salary increase of 6.8% per annum for members of the Bank's Staff (including those above the bargaining unit), with effect from 1 July 1982.

The Deputy Governor suggested that there were perhaps three possibilities as regards Special Remuneration: no increase at all; an increase of 4% (tied to the Bank's cash limit); and an increase of 6.8%. It was felt that either of the first two courses would have unsatisfactory effects on differentials, and it was agreed to recommend to the Court an increase of 6.8% as from 1 July in the Special Remuneration of the Governor, Deputy Governor and Executive Directors and in the salaries of the two Associate Directors.

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ET 60.01
Office file

As regards the two Advisers to the Governor, the across-the-board increase awarded last year to Mr Dow was restricted to his remuneration less £500, the amount of the fee that had been paid to him as an Executive Director. It was considered that the same principle should continue to apply to both Mr Dow and Mr Pforde, and that the 6.8% increase should similarly be applied to their remuneration less £500.

ET 70.01
Office file

The Deputy Governor pointed out that the revised figures, after the addition of the statutory fees for the Governors and the Executive Directors, would have little effect on the table of Directors' and Employees' emoluments appearing in the Bank's Annual Reports and Accounts.

Specifically, 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 6.8% to the following annual amounts (after rounding to the nearest £100) with effect from 1 July 1982 -

ET 70.01
Office file

The Governor	£78,600
The Deputy Governor	£55,700
Mr Blunden	£47,600
Mr Loehnis	£44,200
Mr George	£44,200
Mr Walker	£44,200

- ET 60.01
Office file
- 2 The annual salary payable to Mr Dow and to Mr Pforde, Advisers to the Governor, be revised to the following amount in each case (after rounding to the nearest £100), also with effect from 1 July 1982 -

+ £3,180 to £50,400

Ant

- 3 The annual salary payable to the Associate Directors be increased by 6.8% to the following amounts (after rounding to the nearest £100) with effect from 1 July 1982 -

Mr Cooke

Mr Galpin

£44,200

A. J. Williams

Secretary of the Bank

THURSDAY 26 AUGUST 1982

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.

CT-69.03
The Deputy Governor sought the Committee's views on the rent to be charged for two rooms in Bank Buildings which had been occupied for the past two years by the staff of "Opportunities for the Disabled", a charity with which the Bank had been quite closely concerned. Hitherto a rent of £2,000 per annum had been charged, equivalent to £4 per sq ft, which was already a heavily subsidised rent. In view of the Bank's favourable attitude towards projects of this kind, it was now considered that the subsidy should be extended and that, for the two years from 1 September, only a nominal rent should be charged, say £1 per annum. After a short discussion, the Committee agreed with this recommendation.

A. J. T. Williams
Secretary of the Bank

THURSDAY 21 OCTOBER 1982

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.

CT 60 The Committee had before them a Report of the Staff Committee seeking changes in authorities to dismiss members of the staff, together with a half-yearly Report of the Debden Committee about the Printing Works. Both Reports were referred to the Court of Directors without discussion.

CT 57
other file The Committee also had before them a Minute of the Charitable Appeals Committee recommending responses to two appeals. One would involve certain commitments in favour of Fullemploy Limited over a period of three years (namely a guarantee of £2,500, cash payments of £1,000 a year, and secondments to a value of at least £9,000 a year); the other would be a payment of £2,000 to the College of Arms' Quincentenary Appeal. At the Governor's invitation, Sir Jasper Hollom explained to the Committee the background to those proposals and, after a short discussion, it was agreed to recommend them to the Court.

CT 70
other file

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Ans

CT 70
three lre

[REDACTED]

A. J. T. Williams

Secretary of the Bank

THURSDAY 4 NOVEMBER 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
MR de ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

CT.54
H. Weir
The Committee had before them a Report of the Registrar's Department Liaison Committee; and, at the Governor's suggestion, Lord Weir, the Chairman of the Committee, and Mr Blunden were invited to attend the Meeting for that item.

CT.54
H. Weir
Lord Weir explained why his Committee had accepted the Chief Registrar's view of the beneficial results, in terms of efficiency and morale, of keeping the Registrar's Department indefinitely at New Change. Mr Blunden then gave an account of the main background considerations, with reference to Minutes of 12 February 1981 and earlier. He recalled that it had been agreed by the Court at that time that the idea of moving the Registrar's Department out of London should be finally abandoned. That decision had then been communicated to the staff. Court had not ruled out the possibility, after further study, of relocating the Department elsewhere within the London area. He felt that a decision on that point should properly be taken soon, both to remove existing uncertainties and because the lease of several New Change tenancies would come up for renewal in 1985. As regards the possible advantages of moving the Department to another building in London, views had changed somewhat in the different circumstances of a general

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CT-54
Office file
contraction of the staff. A continued close grouping of the remaining components of the Bank would be beneficial for staff management. There were also, of course, substantial financial gains in keeping New Change.

CT-54
Office file
The Governor referred to a note he had recently received from Sir Jasper Hollom, who was unfortunately unable to be present that day. He said that Sir Jasper maintained the view that it would be wrong in the longer term to locate the Registrar's Department in Central London, and that the cohesion and unity of the Bank, which had been advanced as reasons for the Department to stay at New Change, were not factors which should be regarded as having much weight, because he saw less prospect of a generally interchangeable staff. Sir Jasper supported the idea that New Change should be retained as an asset, but believed that that was a separate matter.

CT-54
Office file
In the following discussion the advantages of retaining a Bank presence in New Change were stressed: it would probably not be politically defensible to retain the building merely as an income earning asset, however profitable. The financial implications of the net income from New Change over a period in relation to the charges payable by the Treasury for the Registrar's Department's services, as well as of the use of the computer capacity in New Change by the Central Gilts Office were touched on. It was concluded that further consideration of the Report and related questions should be deferred until Sir Jasper Hollom could participate in the discussion and all the strands that had been mentioned could be brought together.

A. J. T. Williams

Secretary of the Bank

THURSDAY 18 NOVEMBER 1982

Present

THE GOVERNOR
LORD NELSON
MR de ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

A Report of the Staff Committee on the Chief of Corporate Services' annual review of the Premises Division was laid before the Committee and referred, without discussion, to the Court.

A. J. Williams

Secretary of the Bank

THURSDAY 25 NOVEMBER 1982

Present

A FULL COMMITTEE

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

When Mr Blunden, at the Governor's invitation, had joined the Meeting, the Deputy Governor introduced a Report of the Expenditure Committee. Among other things, he drew attention to a question that had been raised in respect of provisions for British Government Securities in the Banking Department Profit and Loss Account. There was at present a considerable surplus of market value above the book cost of those securities. As the profit envisaged for the current year was considerably higher than that forecast for 1983/84, it was thought preferable not to realise any profits in the current year in the longer-dated stocks. After a short discussion, the Committee expressed its agreement with that preference. In further discussion, an explanation was given of changes in the arrangements for the payment of value-added tax by the Bank, which would enable funds to be recovered by HM Government from the European Economic Community.

Lord Weir was also invited to join the Meeting for the next item, concerning New Change. The Governor referred to a Report of the Registrar's Department Liaison Committee, which had first been discussed at the Meeting on 4 November. That discussion had been inconclusive, particularly in view of Sir Jasper Hollom's qualms arising from the use of the word "indefinitely" in the Report and of his absence on that occasion. The Governor referred to the two papers which

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CT 54
CT 69 05
Chie file

had been circulated, one examining the future use of the New Change building with particular reference to the needs of the Registrar's Department, concluding with a recommendation for the Premises Committee to oversee the necessary redevelopment of New Change, and the other covering the "property management" aspects of either retaining or disposing of ownership of the building. He hoped it might now be possible to arrive at conclusions which could be conveyed to Court. The Deputy Governor added that the papers should enable Members to draw together the separate strands of the question and pointed out that New Change was a very valuable asset.

CT 54
CT 69 05
Chie file

Sir Jasper Hollom said he was entirely content with the terms of the proposed Resolution; but he remained anxious for the Committee to be clear about the considerations that related to the Registrar's Department. He recalled the circumstances of the 1981 decision to abandon for the foreseeable future the idea of relocating the Department outside London, a course which had been prevented only because Government requirements would have compelled the Bank to adopt an undesirable location. That did not mean the Bank should abandon relocation for ever. Turning to the question of the efficient operation of the Department, he pointed out that the assertion that occupation of the new Change building would not prevent the Chief Registrar from organising his Department efficiently did not mean that New Change was the most cost effective location for the Department. It was evidently very expensive to maintain staff in New Change as compared with any out-of-town location. Moreover, despite the admitted preference of the staff of the Registrar's Department to stay in New Change, he could not accept that it was in their long-term interest for staff to be employed in Central London, when there were in fact locations elsewhere that were superior both for the quality of life there and for their lower costs. Nor did he accept the argument that interchangeability of staff with the rest of the Bank would be maintained by staying in New Change. That was no longer a valid argument, because the Registrar's Department did not in his view require staff of such high calibre as Head Office.

AS

After further discussion it was agreed -

- 1 that the Report should be recommended for the approval
of Court subject to the deletion, to which Lord Weir
consented on behalf of the Registrar's Department Liaison
Committee, of the words "permanently" (in the third
paragraph) and "indefinitely" (in sub paragraph (i) of
the fourth paragraph); and
- 2 to recommend to the Court of Directors that the
Premises Committee be invited to oversee a staged
redevelopment of New Change to concentrate the Registrar's
Department into one or two wings of the building and to
prepare the rest of the building for letting on the most
advantageous terms that can be achieved. This process
of reallocation of the use of space should be combined
with any measures of modernisation necessary to ensure
appropriate conditions for the Registrar's Department in
the period ahead and the provision of accommodation for
letting of a standard likely to attract high quality
tenants.

The Deputy Governor then spoke to the Committee about the possibility of the Bank extending a line of credit (which would be fully guaranteed) to [REDACTED]

A. J. Williams
Secretary of the Bank

THURSDAY 2 DECEMBER 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR DAVID STEEL

As the Governor was not present at the beginng of the Meeting, the Deputy Governor took the chair.

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

Arising out of the Minute about a possible credit to Thailand, the Deputy Governor said there was nothing further to report.

The Committee had before them a Quarterly Report of the Audit Committee and a Report from the Trustees of the Court Pension Scheme, together with the Report and Accounts of that Scheme for the year ended 28 February 1982; but it was agreed that those Reports should be passed direct to Court without discussion by the Committee. Similarly, the matter of the settlement of legal action against Slater Walker Limited was left to be considered by the Court.

The Deputy Governor spoke to the Committee about an appeal the Governor had received from the Ditchley Foundation, to which the Bank had given £500 a year from 1968 to 1974 and £750 from 1975 to 1981. Having described the background, including a comparison with the Bank's donations to other institutions, the Deputy Governor proposed that the Bank's contribution to the Ditchley Foundation be increased to £2,000 a year for four years. After a short discussion the Committee expressed agreement with that proposal.

A. J. Hall

The Deputy Governor spoke to the Committee about two proposed appointments that were consequent upon the decision of the Chief Registrar, Mr G L B Morgan, to retire next April on grounds of ill health; he had not felt that he should continue beyond that because his recovery after the operation on his heart had unfortunately not proved to be complete. The Deputy Governor said that [redacted]

[redacted], who was in most ways the obvious candidate to succeed Mr Morgan, was unwilling, for personal reasons, to be considered for the succession. He was in any event himself expected to retire in about 18 month's time. It was therefore proposed to appoint Mr J G Drake, who would have some eight year's service left before his own retirement. It was proposed to replace Mr Drake as a Deputy Chief of the Banking Department by [redacted], a Deputy Head of Banking Supervision. Further consequent moves were still under consideration. In a discussion, during which the Governor joined the Meeting and took the chair, it was suggested that the compatibility of the salary levels at the top of the Registrar's Department with their "job content" should be reviewed when the succession to [redacted] was being considered.

It was agreed to recommend to the Court of Directors that, consequent upon the forthcoming retirement, on ill-health grounds, of G L B Morgan, Chief Registrar, the following appointments be made with effect from 3 April 1983 -

J G Drake [redacted]
a Deputy Chief of the
Banking Department,
Scale 11b

to Scale 12, as Chief Registrar,
at a basic salary of [redacted]

[redacted]
a Deputy Head of
Banking Supervision,
Scale 11a

to Scale 11b, as a Deputy Chief of
the Banking Department, at a
basic salary of £37,797

Am

ET 70
The Committee then discussed matters arising from a paper,
which had been circulated to Directors, about proposed changes
to the arrangements for loans by the Bank to Members of the
Court who gave exclusive service to the Bank.

A. J. T. Williams

Secretary of the Bank

THURSDAY 16 DECEMBER 1982

Present


A FULL COMMITTEE

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

CT 70
Office file
The Committee agreed that Mr Blunden should be invited to attend the Meeting for the item on proposed changes in the terms for loans by the Bank to Directors giving exclusive service to the Bank.

CT 70
Office file
The Governor mentioned that the Deputy Governor, Mr Blunden and he had an interest, actual or potential, in the matter; but it was considered to be reasonable in the circumstances for them to participate in the Committee's discussion.

CT 70
Office file
Mr Blunden then explained to the Committee the proposals set out in the note of 15 December, which was a revised version of the note which had been briefly discussed at the Committee's previous Meeting. He pointed out that the Bank felt an obligation to conform to the provisions of the Companies Act 1980 in this as in other matters, although it was not legally bound by those provisions. The terms of the Scheme of 1973, as amended in 1976, had therefore to be made more restrictive in various respects. In particular, because it had been decided that Staff entering the service of the Bank after 31 December 1979 should not be permitted to borrow from the Bank for housing purposes, but only to receive interest rate subsidies on loans to be obtained from a building society, the Bank could not lend for housing purposes on non-commercial terms to Directors who had joined the Bank after that date. The proposals now under consideration would permit the Bank to give an interest rate subsidy. This would have little



CF-70
cf. 70
the 14

significance under the proposals as there was likely to be little or no difference between Bank rate varying, the proposed interest rate to be charged, and the "outside" building society rate. But the Committee might well prefer not to introduce a subsidy element at all. In addition, the proposals left it open to the Court to charge another rate of interest.

CF-70
the 14

In discussion, it was noted that senior officials of the Bank already enjoyed some advantage over Directors as regards loan facilities, and that there appeared to be little logic in the distinction of treatment. Even on the basis that any beneficial element in such facilities was now reduced by taxation, it would be in principle better to taper off the beneficial or subsidy element without distinction between members of the Staff and Directors. It was recognised, however, that any worsening of the terms as regards the Staff would have to be negotiated, and might well, moreover, be taken to arbitration. The alternative was to maintain or improve the beneficial elements in the terms of loans to Directors, which was not regarded as desirable. In conclusion, it was agreed that the proposals should be modified so as to exclude any element of subsidy. The Committee felt it might be helpful to use as the rate of interest the rate charged by the clearing banks in their mortgage lending.

CF-60-07

The Committee also had before them a Report of the Staff Committee reviewing the borrowing limits applied under the Staff Housing Loan Scheme, and a proposed Minute of two appointments at the Printing Works recommended by the Governors. These were both passed forward without discussion to be considered by the Court.

CF-56

The Deputy Governor explained briefly to the Committee the position reached over the establishment of Thrissell Ltd, a company to be owned jointly by the Bank (Printing Works) and Molins.

P. E. Townam
Assistant Secretary

THURSDAY 23 DECEMBER 1982

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
MR de ROTHSCHILD

The Minutes of the last Meeting, having been circulated, were approved, subject to one small drafting amendment.

ET 70
office file
The Committee agreed that Mr Blunden should again be invited to attend the Meeting for the item on proposed changes in the terms for loans by the Bank to Directors giving exclusive service to the Bank.

ET 70
office file
Mr Blunden joined the Meeting and referred to the discussion in the Committee the previous week when it had been agreed that the present Scheme for loans to Directors should be withdrawn and that, as a general rule, Directors should not in future be eligible for loans on beneficial terms. If they wished to borrow from the Bank, they should do so at commercial rates through the Banking Department. However, the position of existing executive Members of Court had been examined and it was considered that to withdraw the present facilities for them would worsen the terms under which they had been appointed. The Committee therefore agreed that a modified version of the existing Scheme which would conform with the 1980 Companies Act should be retained for them for housing purposes only. In agreeing to recommend these proposals to Court, it was considered preferable that there should be some basis on which Executive Directors could obtain loans "in house" rather than have to seek assistance outside the Bank.

[Signature]

eT 57
 CT 7101
 office file
 The Governor informed the Committee that he had been invited to become a Patron of the Bow Bells Business Houses Council. The Council had been set up to prepare plans for the tercentenary of the church of St Mary le Bow next year and with the object of improving the quality of life of those who live and work in the vicinity of the church. It was noted that the Chief Registrar served on the Council and that the Charitable Appeals Committee would shortly be recommending a donation to the Council of £1,000. However, after some discussion, the Committee agreed that it would not be appropriate for the Governor to become involved as a Patron of the Council.

CT 211
 SEC 10
 The Governor then spoke to the Committee about a Bill which Mr St John Stevas had hoped to introduce, designed to implement the extension of the role of the Comptroller and Auditor-General as recommended by the Public Accounts Committee. The proposal, to follow more closely the expenditure of public money, had apparently a large following in Parliament; but the Cabinet were seeking the withdrawal of the Bill and therefore the Bank's view on the proposals would be deferred. A short discussion followed in which the difficulties that might arise particularly with regard to relationships with HMT were mentioned.

SEC 7
 CT 71
 CT 71003
 office file
 The Governor announced that he would be retiring on 1 July 1983 and that he would be replaced by Mr Robin Leigh-Pemberton.

A. J. T. Williams

Secretary of the Bank

THURSDAY 13 JANUARY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
MR de ROTHSCHILD
SIR ADRIAN CADBURY

The Minutes of the previous Meeting, having been circulated, were approved, subject to a minor amendment.

CT 211
SEC 10
With reference to a Minute of that Meeting, the Governor reverted to the question of the Comptroller and Auditor-General, where the position previously described had changed somewhat. It now seemed unlikely that Mr St John Stevas' Bill would be withdrawn. It might therefore be right for the Bank to make its views about the Bill known to HM Treasury, and the feeling in the Bank was that, although exemption from the Bill would doubtless be desirable for the Bank, it would be hard to make a case for it. The Governor went on to point to a certain confusion in the objectives of those who supported the Bill. Their intention to check the profligate use of taxpayers' money was hardly applicable to a body like the Bank that earned money for the Government.

CT 211
SEC 10
In discussion it was explained that the aim would be to obtain safeguards for the Bank similar to those used when the Bank's operations were investigated by the Select Committee on Nationalised Industries. For example, some areas should be discussed in secret session. It was left that the Committee's discussion of the matter had been valuable and would help those concerned to formulate the Bank's response to the Treasury.

SEC. 6
CT. 60.01
Office file.
At the Governor's invitation, the Deputy Governor then spoke to the Committee about Mr Dow's pension arrangements. It was agreed that the discussion should be pursued at the Committee's next Meeting.

A. J. L. Williams
Secretary of the Bank.

THURSDAY 20 JANUARY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLON
SIR ADRIAN CADBURY

The Minutes of the previous Meeting, having been circulated, were approved, subject to amendment.

Arising from those Minutes, the Governor mentioned that, in the Deputy Governor's absence at the beginning of the week, Mr Blunden had written to Sir Douglas Wass to convey the Bank's reactions to the proposed Private Member's Bill to extend the scope of the Comptroller and Auditor-General's inquiries. The Deputy Governor added that, although no reply had yet been received from HM Treasury, there was no reason to expect that the terms of the letter would be found other than acceptable.

A Report of the Staff Committee covering the Chief of Corporate Services' annual review of general staff administration and training was laid before the Committee and passed without discussion to the Court.

With reference to a Minute of the previous week and to an Aide Memoire setting out some details of Mr Dow's pension arrangements, the Deputy Governor opened a further discussion of the matter. It was suggested that it would be helpful for the Committee to be able at a future Meeting to consider proposals to resolve the question in conformity with the Bank's usual principles as regards pensions; and it was agreed that such proposals would be submitted.

CT10
CT100

The Governor spoke to the Committee about the credit facilities that were being negotiated for Yugoslavia through the Bank for International Settlements, in which the Bank was likely to participate. It seemed that a satisfactory arrangement would be devised.

R. F. Johnson

Assistant Secretary

3 Feb. 83

THURSDAY 3 FEBRUARY 1983

Present

The Full Committee.

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

A Report of the Committee to consider the Securities of Certain Funds was submitted and referred to the Court without discussion.

ET57
Office file.

At the Governor's invitation, Sir Jasper Hollom described an approach from the Museum of London seeking a contribution from the Bank to enable the Museum to purchase the only two known pieces of South Sea Company silver. Whilst these were undeniably unique items, they had no direct relevance to the Bank. In the past, support had, however, been given towards national acquisitions of important works of art; some minor donations had also been made to the Museum. In the ensuing discussion, mention was made of the high price being asked for the silver and whilst agreeing to a contribution of £500, the Committee agreed that this should be made only on condition that the total figure was raised.

SEC 6
CT60.01
Office file.

With reference to a minute of the last meeting, the Deputy Governor spoke to the Committee further about the pension arrangements for Mr Dow. After discussion it was agreed to recommend to the Court the offer of an enhancement to his pension, under the Court Pension Scheme, of £6,000 pa, provided he was prepared to agree to remain with the Bank until 29 February 1984.

A. J. G. Williams
Secretary of the Bank

THURSDAY 10 FEBRUARY 1983

Present

THE DEPUTY GOVERNOR
SIR JASPER HOLLOW
MR DE ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

CT 60.01
A recommendation by the Governors, arising from the Annual Review of Staff, on two senior appointments was laid before the Committee. The Deputy Governor said that the proposed appointments, though promotions "sur place" and thus exceptional in the present climate, were well justified on merits. After a short discussion the recommendations were approved for submission to the Court.

CT 60.01
CT 60.02
SEC 6
Office File
A Report by the Staff Committee on Town Allowance and, with reference to Minutes of the previous week and earlier, a proposed Minute of an offer to be made to Mr Dow about his pension arrangements were also laid before the Committee. They were referred to the Court for approval without discussion.

CT 60.01
CT 70.01
SEC 6
Office File
In connexion with Mr Dow's position, it was noted that it was open to the Trustees of the Court Pension Scheme to reduce the amount of the prospective widow's allowance because of the gap between the ages of the spouses; but it was agreed that the decision was one for the Trustees to take in the light of the circumstances at the time if and when the case actually arose.

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At the Deputy Governor's invitation, Sir Jasper Hollom then introduced a memorandum he had prepared describing the Governor's pension arrangements and connected matters as they now stood and concluding with several recommendations. He pointed out, among other things, that it seemed right to take full advantage of all the relaxations now permitted by the Inland Revenue authorities even though the logic of some of them was not altogether clear. The objective of the recommendations was, as far as possible, to simplify for the future a complex set of arrangements so that they conformed where appropriate to the Court Pension Scheme arrangements, although the Governor would remain formally outside the Scheme. He added that some additional provision for the Pension Fund would probably be required if these recommendations were approved (and if those relating to Mr Dow were approved and implemented); but any such adjustment would be covered by the Actuary's periodic revaluation of the Fund (due later in the year). After a discussion, the Committee agreed to recommend the proposals in the memorandum to the Court.

CT.60-01
CT.70-01
CT.219
Office File

The Deputy Governor raised the question of the Special Remuneration for the incoming Governor. After a short discussion Sir Adrian Cadbury was invited to consider the question, together with Sir Jasper Hollom, and make recommendations to the Committee in due course.

CT.70-01
Office File

A. R. Hollom
Secretary of the Bank

THURSDAY 24 FEBRUARY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLUM
MR de ROTHSCHILD
SIR ADRIAN CADBURY
SIR DAVID STEEL

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

Arising from the final Minute of that Meeting, Sir Adrian Cadbury said that the recommendation mentioned would be ready for submission to the Committee at its next Meeting. He also suggested that it would in due course be appropriate for the Committee to review the question of the remuneration payable to Mr Pforde.

The Quarterly Report of the Audit Committee, including the Annual Review of that Committee's work, was laid before the Committee. It was passed forward without discussion to the Court.

The Governor then spoke to the Committee about the Direction.

A. J. T. Williams

Secretary of the Bank

THURSDAY 3 MARCH 1983

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.

CT 10 03
SEL 1
of the file
With reference to a Minute of the previous Meeting, the Governor spoke to the Committee about the appointments and reappointments to the Court which had been announced the previous day.

CT 24
CT 10 01
of the file
Two Reports, of the Trustees of the Pension Fund and of the Committee on Permanent Control of Expenditure, were laid before the Committee. On the former, there was no substantive discussion, but it was noted that there were likely in due course to be implications for the Court Pension Scheme in the attitude ascribed in the Report to the Inland Revenue authorities. On the latter, the Deputy Governor referred, at the Governor's invitation, to one section only of the Report, deferring his introduction of the document as a whole for the Court. He explained the Banking Department's estimated profit and loss position as at 28 February 1983, and noted that an interim payment had to be made to HM Treasury in lieu of dividend on 5 April in accordance with Section 1(4) of the Bank of England Act 1946. He proposed to open discussions with the Treasury on

50 07
10 01

W.H.

CT 5007
see 10.01

the basis of the previous year's interim dividend, namely £5.5 million, increased pro rata with the increase in the operating profit before taxation (estimated at £69.4 million). This would produce an interim dividend of £7 million in round numbers. After a discussion the Committee approved the proposed approach.

Office file

Also at the Governor's invitation, and with reference to a Minute of 18 March 1982, the Deputy Governor spoke about a review that had been carried out of the use, up to the end of 1982, of the facilities provided by the Bank for the purchase of tickets at the Barbican Centre (Royal Shakespeare Company and London Symphony Orchestra). The review showed that disappointingly little use had been made of the facilities. In particular, there had been hardly any use of them for official entertainment. The Committee agreed with the Deputy Governor's suggestion that further publicity should be given to the facilities, with an indication that they would be terminated after six months unless a marked increase in their use was apparent in that period.

CT 100.01
CT 7101

With reference to a Minute of the previous Meeting, and after the withdrawal of the Deputy Governor, the Governor invited Sir Adrian Cadbury to put forward his and Sir Jasper Hollom's proposal for the remuneration of the incoming Governor. The Governor pointed out that it would not be possible to take the matter at Court that day as there would not be a quorum after the withdrawal of the Deputy Governor and the Executive Directors. Sir Adrian Cadbury then set out the circumstances which he and Sir Jasper Hollom had taken into account in devising their proposal, which was for a total figure of £75,000 a year, made up of the fixed fee of £2,000 and Special Remuneration of £73,000. The proposal contemplated the possibility of an increase should the incoming Governor be reappointed to a further term of office; and it would also bear a reasonable relationship to the levels of remuneration likely to apply as from

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1 July 1983 to the Deputy Governor and the Executive
Directors. Finally, it embodied the assumption of a
continuation of the existing decision of the Court that any
remuneration from the Bank for International Settlements
should form no part of the Governor's remuneration from the
Bank. After discussion in which the proposal found support
it was agreed that, before the matter was taken at Court,
Sir Jasper Hollom should discuss it with the incoming
Governor himself.

J. F. Williams

Secretary of the Bank

THURSDAY 17 MARCH 1983

Present

A Full Committee

The Minutes of the last Meeting, having been circulated, were approved, subject to the deletion of a sentence from the final page.

At the Governor's invitation, Mr Blunden attended the Meeting for the following item.

CT 211
SEC 10

With reference to Minutes of 20 January and previously, the Governor spoke to the Committee about the implications for the Bank of the Parliamentary Control of Expenditure (Reform) Bill in the light of the discussions about it as they had recently developed. When the Committee had last considered the matter, it had been a simple question of whether the Comptroller and Auditor General should be allowed access to the Bank and to make reports to Parliament. The conclusion had then been that it was hard to make a case to exclude the Bank from the scope of the Bill; and it had therefore been indicated to HM Treasury that the Bank would not seek to be excluded.

CT 211
SEC 10

The position was now quite different as, in pursuance of Ministers' desire to reach a compromise with the Private Members sponsoring the Bill, a solution had been devised

WJH

CT 211
SEC 10
which would, if implemented, seem to undermine the Bank's constitutional position. The Deputy Governor had now to be guided by the Committee on how the matter should be handled in a meeting later that morning at the Treasury.

CT 211
SEC 10
In discussion it was agreed that the aim should be, if at all possible, to keep the Bank wholly out of the scope of the Bill. However, the earlier arrangement involving the Comptroller and Auditor General might be acceptable as it would be compatible with the Bank's constitutional position and as it was likely that such an arrangement would be applied to certain other public bodies.

A. J. T. Williams

Secretary of the Bank

THURSDAY 24 MARCH 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLAM
SIR ADRIAN CADBURY
SIR DAVID STEEL

Consideration of the Minutes of the previous Meeting was deferred.

CT.211
SEC.10
The Governor spoke further to the Committee about the subject of those Minutes, namely the Parliamentary Control of Expenditure (Reform) Bill. He went over the discussions he and the Deputy Governor had had with Treasury Ministers and officials, and with a sponsor of the Bill. As a result of these discussions it now looked likely that the Bank would, for practical purposes, be excluded from the scope of the Bill.

SEC.10.01
CT.50
At the Governor's invitation, and with reference to a Minute of 3 March, the Deputy Governor referred to his discussion with Sir Douglas Wass the previous Friday about the interim payment in lieu of dividend which was due to be made by the Bank to HM Treasury on 5 April. He had put the Bank's case for an interim payment of £7 million on the basis that this would reflect a scaling up of last year's interim dividend in relation to the increase in the Bank's profits. Sir Douglas had responded with a figure of £8 million, which reflected the operation of the Treasury's "preferred formula". (This formula, which had, of course, never been accepted by the Bank, was that the interim payment would be one third of the total payment, which itself would be one third of the Bank's profits.) He had then concluded with Sir Douglas that the simplest solution would be £7½ million, both sides making it clear that that figure

AS

Sec 10.01
CT 50

would carry no implication either for the size of the final payment or for the criteria on which it would in due course be based.

Sec 10.01
CT 50

The Committee were content that this solution should be put to the Court.

A. J. A. Allen

Secretary of the Bank

THURSDAY 31 MARCH 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR DAVID STEEL

The Minutes of the Meetings of 17 and 24 March, having been circulated, were approved.

Arising from the Minutes, the Deputy Governor described, at the Governor's invitation, some developments in regard to the legislative progress of the Parliamentary Control of Expenditure (Reform) Bill, and a discussion followed.

The Deputy Governor also spoke to the Committee about the personal accident insurance policy covering Members of Court and their wives when travelling on the Bank's business, having declared his contingent interest in the policy and that of all other Members of Court. The Committee concurred with his proposal that the levels of benefit under the policy should remain unchanged during the year beginning 1 March (except in the case of the Governor, where the existing levels of cover would be maintained only until 30 June and then be reviewed to fit the circumstances of the new Governor after that date). It was accepted that the amount of the premium for the whole policy for the current year, which was not yet known, would probably be higher.

The Governor referred to the meeting of the Select Committee of the House of Commons which he and others from the Bank had attended the previous day, and a discussion followed.

P. S. Tomlinson
Assistant Secretary

THURSDAY 7 APRIL 1983

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLUM
SIR ADRIAN CADBURY
SIR DAVID STEEL

The Minutes of the Meeting of 31 March, having been circulated, were approved.

Sec 10
CT 211

Arising from the Minutes, the Deputy Governor mentioned that there was nothing further to report on the progress of the Parliamentary Control of Expenditure (Reform) Bill.

CT 57
Chie W

At the Deputy Governor's invitation, Sir Jasper Hollom drew attention to one item arising in the report to Court of the Charitable Appeals Committee. This concerned an appeal from the Jim Conway Foundation, a registered charity founded by a group of trade unionists. The appeal fell outside the Committee's guidelines, but because of its aims to develop better understanding between both sides of industry, perhaps deserved favourable consideration in modest degree. Mr Drain, who had been consulted, believed a token donation would be worthwhile; and, after some discussion, it was agreed that a donation of £200 made through the Charitable Appeals Committee.

CT 57
Chie W

Sir Jasper Hollom then spoke to the Committee about an approach which the Charitable Appeals Committee had also considered from the English Speaking Union. The Bank had supported the ESU since 1948 but neither the Charitable Appeals Committee nor the International Division, to whom the approach had been referred,



CT 57
drie lre
felt able to recommend continued support on either charitable or operational grounds. An examination of the accounts suggested that their finances were not well organised. It was agreed that without any commitment to further support it should be put to the ESU that there was a case for considering a major reconstruction of its finances.

CT 60.01
CT 70.01
CT 60.01
The Deputy Governor spoke to the Committee about his concern over the structure of senior salaries: the present overlapping scales tended to produce anomalies and awards were only partly discretionary. The rigidities of relating scales to particular ranks had been highlighted recently in the appointment of a new Chief Registrar. Although salaries up to and including Scale 9 were subject to negotiation, those above the bargaining unit could be examined separately. Mr Blunden and Mr Galpin had produced some experimental three-point scales, where the position on the scale could be detached from rank; it would also be possible to differentiate between abilities, and to reward accordingly. There might be some difficulties on transition but the scheme would be self financing within a few years. Tapering in recent years had reduced, and in some cases extinguished, the gap between senior officials and Executive Directors. In the discussion which followed, the Committee agreed that Sir Adrian Cadbury, together with Lord Benson, should examine the position further with a view to formulating a coherent salary structure for senior officials and Executive Directors.

CT 60.01
drie lre
The Deputy Governor spoke to the Committee about a proposal to appoint an Assistant Director in Mr Walker's area. This would be taken at Court the following week.

A. J. T. Williams

Secretary of the Bank

Present

THE DEPUTY GOVERNOR
SIR JASPER HOLLAM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

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

The Deputy Governor referred to the security system currently in operation at [REDACTED] [REDACTED]

Since 31e.

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Ans

of the file.
The Deputy Governor informed the Committee that a portrait sculpture in bronze of the Governor's head had been commissioned from Dame Elisabeth Frink; and spoke also about the functions planned to mark the Governor's retirement.

A. J. T. Williams

Secretary of the Bank

THURSDAY 12 MAY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

The Minutes of the last Meeting, having been circulated, were approved subject to the addition of a clause at the end of the third paragraph.

At the Governor's invitation, the Deputy Governor sought the guidance of the Committee for his forthcoming negotiations with HM Treasury about the amount of the Bank's annual payment in lieu of dividend.

After a discussion, during which the Deputy Governor pointed out the welcome fact that it should be possible this year to start reversing some of the erosion of the Bank's real free capital and reserves which had occurred in recent years, the Committee invited the Deputy Governor to open negotiations with the Permanent Secretary to the Treasury.

The Governor spoke to the Committee about a convention, to which the Chairman of the Accepting Houses Committee had drawn his attention, and according to which a Director who was also the Chairman of an Accepting House should not represent his House on the Accepting Houses Committee. The Governor had consulted those Directors who were also Chairman of Accepting Houses and the view was that, whatever the origin and justification of the convention, which were



far from clear, it served no useful purpose in present circumstances and should therefore be dropped. The Committee concurred.

SEC 10.
With reference to a Minute of the Court of the previous week, the Governor then spoke to the Committee about the exchange of letters with the Chancellor. The latter's reply of 10 May to the Governor's letter of 22 April might require further consideration.

A. J. Williams
Secretary of the Bank

THURSDAY 26 MAY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING

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

CT87
CT 70
Office file. Arising from the Minutes, the Governor mentioned that he had received a satisfactory reply to his letter to the Chairman of the Accepting Houses Committee indicating that the Bank was content for the "rule" to be abandoned.

SEC 10-01
CT 50 The Bank's Accounts for the year ended 28 February 1983 were laid before the Committee in draft form, but, at the Deputy Governor's suggestion, it was agreed that his introduction of the Accounts should be deferred for the Court. The Deputy Governor referred briefly to the opening round of his discussions with HM Treasury about the annual payment in lieu of dividend.

CT60.06
Office file. A Report by the Staff Committee on the increase to be awarded in pensions and allowances was also laid before the Committee, and it was similarly agreed that its discussion should be deferred for the Court.

CT 70 01
Office file. The Governor drew the Committee's attention to a paper by Sir Jasper Hollom about pension arrangements for Mr Leigh Pemberton. It had been addressed to the Committee, but had been discussed at the Meeting of Directors the previous week. He explained that those

[Signature]

CT. 7001
office file.

Members of the Committee who had been present at the Meeting had approved the formula set out in the paper and endorsed the expectation that when Mr Leigh-Pemberton came to retire, full use would be made of the scope which the formula would provide. The Committee took note of the paper and of the approval which had been given to its proposals.

office file.

At the Governor's invitation, the Deputy Governor spoke about the arrangements for the Bank's purchase of tickets for performances at the Royal Opera House, Covent Garden. It had become increasingly difficult, particularly because of the increased cost of tickets, to remain within the net limit of £6,000 imposed for the 1978/79 and following seasons on the Bank's gross purchase of tickets less sales to the staff. He had agreed that the excess of around £550 likely to be incurred in the current season should be accepted, but it was now necessary to contemplate an increase for the next season, unless the present arrangements were to be abandoned or radically altered. After a discussion, in which the objectives of the arrangements were seen to comprise a useful facility for official entertainment, a much appreciated benefit for the staff and an element of justifiable support for the Royal Opera House itself, the Committee concurred that the limit should be increased for the 1983/84 season. The limit was accordingly set at £7,500, with the presumption that future increases should be in line with increases in the cost of living.

A. J. L. Williams

Secretary of the Bank

THURSDAY 2 JUNE 1983


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR HECTOR LAING
SIR DAVID STEEL

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

CT 50.07 A Report from the Committee on Permanent Control of Expenditure was laid before the Committee, but it was agreed that it should be referred to the Court without discussion.

SEC 10.01
CT 50 With reference to a Minute of the previous Meeting, the Bank's Accounts for the year ended 28 February 1983 were again laid before the Committee. It was agreed that discussion of the Accounts should be left to the Court, but, at the Governor's invitation, the Deputy Governor then spoke to the Committee about the outcome of his discussions with the Permanent Secretary of HM Treasury over the amount of the payment to be made in lieu of dividend. They had concluded that a figure of £23 million should be proposed respectively to the Court and to the Chancellor of the Exchequer. On that basis, there would be a tax payment of about £22.6 million and an addition to the reserves of some £24.7 million. This would restore the Bank's free capital and reserves to their 1977 level in real terms. This seemed a satisfactory outcome after a number of years of decline. After a brief discussion, the Committee were content to recommend to the Court a payment of £23 million.



CT-168
Office file

The Deputy Governor also raised the question of the remuneration payable to Lord Trevelyan, who had recently retired from the position of Chairman of the Council of Foreign Bondholders (being succeeded in that office by Sir Jasper Hollom). Since 1965 Lord Trevelyan had been receiving an annual fee of £2,000 (paid quarterly) from the Bank, on the authority of the Committee; this was over and above an annual fee of £1,500 received from the Council of Foreign Bondholders itself. Decisions were now required on two points:

- 1 Should the payment for the quarter ended 31 May be abated by the twelve days of that month after Lord Trevelyan had ceased to hold office?
- CT-168
Office file 2 Should he be granted an ex gratia payment on his retirement, in view particularly of his active role in the negotiations about Zimbabwe's sterling debt, after a long period in which the value of his remuneration had been eroded by inflation?

The Deputy Governor proposed that there should be no abatement of the final quarterly payment and that a gratuity of £2,000 would be appropriate. After a brief discussion the Committee approved both recommendations.

A. F. T. Williams

Secretary of the Bank

THURSDAY 9 JUNE 1983

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL


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

CT 70.02
Office file

With reference to a Minute of 31 March and to a Minute of the Meeting of Directors on 19 May, the Deputy Governor spoke to the Committee about the arrangements for personal accident insurance cover for Mr Leigh Pemberton. As agreed in May, he had been given cover for the period up to the end of June. It was now necessary to consider what should be done in respect of the period from 1 July. The Committee accepted the Deputy Governor's recommendations that the death benefit attributable to Mr Leigh Pemberton under the travel accident insurance policy for Members of the Court and their wives should be £85,000, that the same level of death benefit should apply to Mrs Leigh-Pemberton, and that the levels of benefit for accidents other than death under that policy should be the same as those for the other Members of Court and their wives.

CT 57
CT 71.01
Office files

The Deputy Governor then raised with the Committee a question which he said had been troubling the Governor somewhat, namely what his attitude should be to requests for his direct involvement in charitable appeals after his retirement. For example, the Governor was already being pressed to become Chairman of a Centenary Appeal Committee which would aim to raise funds for Toynbee Hall. The Deputy Governor referred to a memorandum on the whole



subject which had been submitted to the Governor in February by Sir Jasper Hollom. The main conclusions that emerged from the discussion were that the Governor's own preferences should properly be the decisive factor and that the advice tendered should be construed as primarily aimed to protect him from unwelcome involvement. However, it was felt that an appeal actively sponsored by him in the period immediately after his retirement from the Bank and directed at, among others, the financial community, might be thought to carry with it an unacceptable degree of pressure. A distinction was then drawn by the Committee between causes in which the Governor was asked to take a leading part, for example by accepting the chairmanship of an appeal committee, by signing letters, or by making direct personal approaches; and, on the other hand, causes in which he was asked to lend his name, as a member of a committee or as a patron of an appeal a degree of involvement which would not preclude his giving advice or indeed being actively engaged in the work of the charity if he so wished. Nevertheless, it was recognised that the efflux of time would tend to ease and finally eliminate any constraints.

There was some sympathy for the view that a distinction could also be drawn between generalised appeals, of which that for Toynbee Hall might be considered an example, and those in which he had a more personal interest. It was considered, but perhaps not unanimously, that the Governor should feel less constrained as regards the latter category of appeal than as regards the former.

A. J. Williams

Secretary of the Bank

CT. 57
CT 71-01
Office File

THURSDAY 23 JUNE 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR DAVID STEEL

MR LEIGH PEMBERTON

The Governor welcomed Mr Leigh-Pemberton, who was attending a meeting of the Committee for the first time.

The Minutes, having been circulated, were approved.

CT 57
CT 71.01
Office file

Arising from the Minutes, the Governor expressed his thanks for the helpful advice he had received from the Committee about his future involvement in Charitable Appeals.

CT 50.08


The Committee agreed that Mr Blunden should attend for the next item, on Value for Money Auditing, and the Governor then invited the Deputy Governor to speak to the Committee about it. He explained the need that had been perceived in the Bank to introduce such audits, both to promote efficiency and as a defensive measure in case of any resurgence of the interest in the subject that had been shown by HM Treasury earlier (with reference to Minutes of 31 March and previously) in connection with the discussions about the Parliamentary Control of Expenditure (Reform) Bill. It was considered preferable that the audits should be introduced first on an experimental basis. The selection of two areas for the experiment would, he felt, reduce the possibility of resentment at being singled out, and he was inclined to suggest an office in the Registrar's Department (either Dividend or Register) and the Financial Statistics Division. Other areas were less suitable for various reasons. The proposal was that the audits would be conducted by Deloitte, who were understood to have the

[Signature]

CT50-08 necessary experience, and the way would be carefully prepared in preliminary discussions with them. The Audit Division and the Business Systems team would be closely associated with Deloitte in carrying out the audits.

CT50-08 In discussion, the advantages of employing outsiders were emphasised: they had skills in that area not available in the Bank; they could more easily compare the "value for money" obtained by the Bank with that obtained by other institutions; and they would bring with them an assurance of impartiality, which would be helpful in the event, mentioned above, of renewed interest in legislatively imposed audits. It was also considered important that the staff concerned should be persuaded of the value of the audits and should be as far as possible associated with them. It was agreed that the proposal to introduce the Value for Money audits on the basis outlined should be pursued, and that when a more detailed scheme had been worked out it should be put before the Committee.

office files The Governor spoke to the Committee about the forthcoming retirement of Lord Benson, and paid tribute to his distinguished service to the Bank since he had become an Adviser to the Governor in 1975, particularly in the area of industrial finance, which had developed so successfully under his guidance. With reference to a Minute of 30 October 1980, he raised the question of a presentation for Lord Benson as a mark of the Bank's gratitude. He suggested that Lord Benson be given one of the Bank's stock of silver bowls, which had been commissioned from Leslie Durbin in 1967, as well as a replica napkin ring (as customary for members of the 1st Floor Mess). The Committee agreed to recommend this to the Court, but they also considered that the idea of a further gift, preferably something in which Lady Benson could share, should be explored.



at 57
this was

The Deputy Governor then described two causes which it was suggested that the Bank should support, namely the City of London Archaeological Trust and the Social and Economic Study of Mediaeval London - a research project on the site and neighbourhood of the Bank. On the former, it was left that Sir David Steel, who had been a member of the Appeal Committee of the Trust, would inquire about its present needs. On the latter, it was agreed that the Deputy Governor would open discussions with Messrs Kellaway and Keene, the promoters of the study, with a view to the Bank arranging a consortium of the institutions in the "study area" to finance the proposed research on the basis of the method of contribution he had outlined to the Committee. There was no commitment as to amount, but it was suggested that the Bank's share might appropriately be of the order of 1/5 to 1/6 of the total.

A. E. Williams

Secretary of the Bank

THURSDAY 30 JUNE 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLUM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

MR LEIGH-PEMBERTON

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

For the two items on Staff Matters, Mr Blunden was invited to attend the meeting, at the Governor's suggestion, and to speak about them. He first described the circumstances of the acceptance by the Bank of England Staff Organisation of the Bank's offer of a 5% increase in pay as from 1 July to the staff in the bargaining unit, and of the Bank's proposals on Town Allowances. This involved in return no more than an expression of the Bank's willingness to note that the Union would raise again their claims for full pensionability of the London Allowance, and for a joint comparability exercise. Mr Blunden went on to say that there was no reason to do other than propose a like increase in pay for staff above the bargaining unit (except, of course, for Associate Directors and two Advisers to the Governor who were covered by the same arrangements as regards remuneration as applied to Members of the Court giving their exclusive services to the Bank). After a short discussion, in which reference was made to the proposals now being drawn up by Sir Adrian Cadbury and others for a new structure for senior salaries, it was agreed to recommend to the Court of Directors that, with effect from 1 July 1983 -

60-02
60-01

AW

- CT 60.01
CT 60.02
- 1 an increase in pay of 5% be awarded to all those staff within the bargaining unit;
 - 2 a like increase in pay be awarded to the staff above the bargaining unit.

CT 60.01
CT 234

Mr Blunden proceeded to explain a proposal to promote Mr S R Chandler, which was linked with the retirement of Mr R A J Middleton (probably in November), and with the publication that day of a statement by the Deputy Governor on an Information Systems Strategy for the Bank, which was shortly to be announced to the Court. It was then agreed to submit to the Court a recommendation by the Governors that the following appointment be made with effect from the date of the forthcoming retirement of R A J Middleton

S R CHANDLER (39)
An Assistant Chief of
Corporate Services,
Scale 9

to Scale 11a, as a Deputy
Chief of Corporate Services
and Head of Systems and
Office Services Division, at
a basic salary of [REDACTED]

SEC 10.01
F50
F52
The Clerk

The book proof of the Report and Accounts of the Bank for the year ended 28 February 1983, including as an Annex the fourth Annual Report on Banking Supervision, was laid before the Committee. The Governor mentioned that agreement had been reached with HM Treasury on the sum of £23 million for the payment by the Bank in lieu of dividend. It was agreed to recommend to the Court of Directors that the Accounts be approved and signed, and also that the Annual Report and Accounts of the Bank for the year ended 28 February 1983, including the Annual Report by the Bank in pursuance of Section 4(1) of the Banking Act 1979, be printed and issued.

A. J. T. Williams
Secretary of the Bank

THURSDAY 14 JULY 1983

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOW
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

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

CT 1001 With reference to a Minute of 7 April, a paper on senior salaries, prepared by Sir Adrian Cadbury and Lord Benson, together with a covering note by the Deputy Governor, were laid before the Committee. Sir Adrian Cadbury introduced the paper, the Deputy Governor having explained that it did not take account of the 5% salary increase awarded to all staff as from 1 July.

CT 1001 Sir Adrian Cadbury pointed out that the paper did not address itself to the important connected question of Executive Directors' and Associate Directors' remuneration. Apart from its greater simplicity compared with the present incremental structure of senior salaries, an advantage of the system of three fixed points recommended in the paper was that it would enable the Bank to withstand more confidently potential criticism arising from external scrutiny.

60.01

NLB

CT 60.01
In the following discussion, the Deputy Governor mentioned that a scheme for transitional arrangements had been prepared (and could be shown to Members if they so wished) which, taken over a few years, would involve no net cost to the Bank.

60.01
On the general question of whether the proposed three fixed points would provide enough administrative flexibility, the conclusion was that a greater degree of rigidity would be desirable from the Governors' point of view, to help resist the pressure under the existing system for nearly automatic annual or biennial increments. Occasional increments in exceptional cases would not be excluded, but should only be granted on the explicit agreement of the Committee of Treasury. It was recognised to be difficult to arrive at the right level for Executive Directors' remuneration when account had to be taken of comparable jobs in both the private and the public sectors; but the Committee was clear that the level adopted should produce a substantial gap above the top level of senior salaries.

CT 60.01
CT 70.01
It was agreed that the general thrust of the paper should be accepted. Sir Adrian Cadbury was then invited to prepare a further paper, with assistance from Mr Galpin, which would take account of the 5% increase (mentioned above) to give revised figures for the three fixed points and which would, with those as a basis, and in the light also of analogues elsewhere, propose revised salary levels for Executive and Associate Directors.

N R Bedford
for the Secretary

THURSDAY 21 JULY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

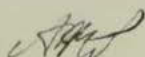
The Minutes of the last Meeting, having been circulated, were approved.

NE
A Report from the Staff Committee on the Chief of Corporate Services' Report on Manpower Review and Planning, and a quarterly Report from the Charitable Appeals Committee, were laid before the Committee; it was agreed that both should be referred to Court without discussion.

CT6001
CT7001
Office files
With reference to a Minute of the previous Meeting, Sir Adrian Cadbury said that the proposals made from within the Bank on senior salaries were sensible and had found favour. After some discussion, it was agreed that, to ensure that the Bank would continue to be able to attract and keep people of the highest calibre as Executive Directors and to provide a reasonable amount of "headroom" not only above the new Scale A, but above the maximum of the existing Scale 12, which would be relevant for some years, the rate of Special Remuneration for the Executive Directors should be set at £52,000 a year.

CT7001
Office files
However, on an ad hominem basis, a broadly unchanged differential between Mr Blunden's remuneration and that of the other Executive Directors should be maintained, his Special Remuneration being set at £55,500 a year.

CT6001
CT7001
CT229
Office files
It was further agreed that the salaries of the Associate Directors should be set equal to the Special Remuneration of Executive Directors, ie at £52,000 a year, and that the



CT 229
CT 70.01
CT 60.01
Office Use

salaries of Mr Dow and Mr Pforde should be increased by 5%.
All the above-mentioned changes should take effect from
1 July 1983.

CT 70.01
Office Use

At the Governor's invitation, Sir Jasper Hollom and
Sir Adrian Cadbury agreed to bring a recommendation to the
Committee about the Deputy Governor's remuneration.

CT 70.01
Office Use

Sir Jasper Hollom introduced a paper making a proposal for
payment of an ex gratia allowance to Lord Richardson. The
Committee agreed to defer detailed consideration of the
proposal to its next Meeting.

A. J. T. Williams

Secretary of the Bank

THURSDAY 28 JULY 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLON
SIR HECTOR LAING

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

CT 50 With reference to Minutes of 21 July and previously, a revised paper by Sir Jasper Hollon containing a proposal for an annual ex gratia allowance to Lord Richardson was laid before the Committee. In introducing the paper, Sir Jasper Hollon emphasised that the proposal implied that the allowance, if approved, would in future years attract any enhancements that might be agreed for pensions under the Court Pension Scheme. It would also carry with it the entitlement, should Lady Richardson survive Lord Richardson, to a widow's allowance on the same terms and conditions as for allowances under the Court Scheme.

CT 70.01
The Hon

CT 50 Sir Jasper Hollon went on to raise the question of the need for any mention of the allowance in the Bank's published Accounts. Under the Companies Acts 1948 to 1981 there would be an obligation to show such an allowance in a note to the Accounts; but, although the Bank's Accounts were stated to comply with those Acts in so far as they were appropriate, there was no obligation to comply in every detail, and he considered it entirely appropriate to follow the precedents set in a number of previous cases and not to give publicity to such an award. After a short discussion, the Committee agreed to recommend to the Court of Directors that an ex gratia allowance of £10,000 a year be made to Lord Richardson with effect from 1 July 1983.

CT 70.01
The Hon

CT 70.01
CT 82.01
CT 60.01
The Hon With reference to Minutes of 21 July and previously, two proposed Minutes were considered by the Committee, the first in connection with the remuneration of certain Members of

CT 70.01
CT 229
CT 60.01
dlie file

the Court and with the salaries of two Advisers to the Governor and the two Associate Directors, and the second in connection with a new salary structure for staff promoted above Scale 9. It was agreed to recommend to the Court of Directors that, with effect from 1 July 1983:

- 1 The Special Remuneration of the following Members of Court rendering exclusive services to the Bank be increased in accordance with Section 12(2) of the Charter to the following annual amounts -

CT 70.01
dlie file

Mr Blunden £55,500

Mr Loehnis)

Mr George)£52,000

Mr Walker)

CT 60.01
dlie file

- 2 The annual salaries payable to Mr Dow and Mr Fforde, Advisers to the Governor, be increased to £52,900.

CT 229
dlie file

- 3 The annual salaries payable to Mr Cooke and Mr Galpin, Associate Directors, be increased to [REDACTED].

It was further agreed to recommend to the Court of Directors that:

CT 60.01

- 1 For members of the Staff of the Bank promoted in future above the existing Scale 9, the present incremental salary system, represented by Scales 11A, 11B and 12, should be replaced by three fixed Points C, B and A, which, as from 1 September 1983, would attract annual salaries as follows:-

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Point C £38,500

(T.60.01)

Point B £41,500

Point A £45,000

- 2 Promotion from Scale 9 should normally be to Point C; there could then be subsequent promotions to Points B and A.
- 3 Increases in salary above a fixed Point, not amounting to a promotion to the next fixed Point, should be exceptional and made only with the approval of the Committee of Treasury.
- 4 Transitional arrangements should be made to preserve the salary expectations of those already on Scales 11A, 11B and 12.

(T.60.01)

P. E. Tomlinson

Assistant Secretary

11 August 1983

THURSDAY 11 AUGUST 1983

Present

THE GOVERNOR
LORD NELSON
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

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

CT 70.01
Office Cde
Having declared his potential interest, the Governor raised with the Committee the question of the increases to be made to the pensions and allowances in payment to former Governors and Executive Directors and to the widows of two former Executive Directors; this followed the awards to Staff and to Staff Pensioners. It was proposed that the pensions and allowances be increased from 1 July in line with the increase in the RPI (June on June), with the exception of Lord Richardson, for whom special arrangements had already been made. Having considered the proposals, the Committee agreed to recommend to the Court of Directors that these pensions and allowances be increased by 3.7% from 1 July 1983.

CT 70.01
Office Cde
The Governor then withdrew and Lord Nelson took the Chair. He reminded the Committee of previous discussions regarding senior salaries and the remuneration of the Executive Directors and invited Sir Adrian Cadbury to comment on proposals concerning the remuneration of the Governor and Deputy Governor.

CT 60.01
Office Cde
Sir Adrian Cadbury explained that the purpose was to build a coherent structure based on the new salary points for senior officials of the Bank and on the proposed remuneration for the Executive Directors. It was most important to be able to attract and retain people of the right calibre to the senior posts in the Bank. At the same time, it was necessary to strike

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CT 70 01
CT 60 01
Office files

a balance between their remuneration and pay in the Civil Service. The Government's views on salaries could also not be overlooked. Lord Nelson drew the Committee's attention to the Bank's record in achieving reductions in costs to meet cash limits. The Committee considered that the proposals fitted correctly with the structure already agreed for senior salaries and it was agreed to recommend to the Court of Directors that, with effect from 1 July 1983, the Special Remuneration of the following Members of Court rendering exclusive services to the Bank be increased in accordance with Section 12(2) of the Charter to the following annual amounts

The Governor £80,000

The Deputy Governor £65,000

P. E. Towne

Assistant Secretary

1 September 1983

THURSDAY 1 SEPTEMBER 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR JASPER HOLLAM
SIR DAVID STEEL

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

CT 50
SC 10.01
The Governor referred to earlier discussions which the Committee had had regarding the payment made by the Bank to HM Treasury in lieu of dividend. Since 1971, the amount of the dividend had been negotiated with the Treasury and the discussions had not always been harmonious. The existence of an agreed formula would alleviate this and would eliminate the delay in the production of the Bank's accounts. This was particularly relevant next year as it was proposed to publish the accounts in May, two months earlier than usual.

SC 10.01
Discussions had taken place over the years with HMT on dividend formulae; and provisional agreement had been reached in 1981 on a formula which would have resulted in the Bank paying a dividend of one-third of pre-tax profits with about the same proportions retained and paid in tax. This had been broadly the proportion paid to the Treasury over the last 13 years. The Bank's aim throughout had been to protect the real value of its free capital and reserves year on year against inflation.

SC 10.01
A formula such as provisionally agreed in 1981 would on the basis of present estimates of profit levels over the next few years, probably work to the Bank's advantage. It had always been envisaged that any formula would be reviewed after five years (or in extremis). The Governor therefore proposed that the formula provisionally agreed in 1981 viz -

AS

(i) Dividend - one-third of pre-tax profits (of which interim one third, final two-thirds).

Sec 10 01

(ii) Review after five years (or in extremis).

should be submitted to Court with a view to seeking agreement with HM Treasury.

Sec 10 01

After some discussion in which the favourable timing of an approach at this juncture was noted, it was agreed to recommend the formula to Court.

CT 70

CT 72 02

Office Ales

The Governor then spoke to the Committee about the timing of meetings of Court. He proposed that these should start regularly at 12.00 noon and it was agreed to put this to Court for consideration. If approved, meetings of Committee of Treasury would normally start at 11.30 am.

A. G. Williams

Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 20 OCTOBER 1983

Present

THE GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

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

At the Governor's invitation, Mr Blunden attended to speak about an appeal for funds which had been addressed to the Governor by Sir Adrian Cadbury on behalf of the Council of Industry for Management Education, a body connected with the Council of the Foundation for Management Education, of which Mr Blunden was a member. He described the circumstances of the appeal and recommended that the Bank should respond with a contribution of £3,000 as a "topping up" sum, on the basis that, the Council's purposes having been largely achieved, there was a good prospect that it would be wound up in the course of the next few years. The Committee agreed with the recommendation.

A half yearly Report by the Debden Committee on the Printing Works was submitted but it was agreed to let it go forward without discussion for consideration by the Court.

The Governor spoke to the Committee about an invitation he had received to become, ex officio, Vice President of the City of London Endowment Trust of St Paul's Cathedral. He wished to accept, as it was a body with whose establishment he had been closely connected as its first Chairman, and of which the Lord Mayor had agreed to be, ex officio, President. The Vice-Presidency would be of a permanent endowment fund and would not involve him in fund-raising activities. After a short discussion the Committee agreed that, in the circumstances described, it was entirely appropriate for the Governor to accept the position.

A. J. Williams
Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 24 NOVEMBER 1983

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLUM
SIR HECTOR LAING
SIR DAVID STEEL

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

At the Governor's invitation, Mr Blunden joined the meeting to speak about the Bank's support for the (at present annual) City of London Festivals. This consisted of contributions to their administrative expenses by payments to the City Arts Trust, which had been at the rate of £2,500 a year for the three years since 1981. He explained the background of the Bank's relationship with the Festivals, and pointed out that the decision taken in 1981 had envisaged the possibility that the Bank should continue to support the Festivals after the three years had elapsed: he now proposed that the Bank should indeed maintain their support for a further three years, and that, in order to take some account of inflation, support should be at the higher level of £3,000 a year. The Committee agreed.

Mr Blunden was asked to remain with the Committee for the next item, when the Deputy Governor, with reference to a minute of 9 March, described the review that had been carried out of the use made of tickets bought by the Bank for performances of the London Symphony Orchestra and the Royal Shakespeare Company at the Barbican Centre. The review, as at 30 September, had shown a marked increase in the take-up of tickets by members of the Staff compared with the previous period. However, many of the tickets were taken up by the same members of Staff coming into the ballot

for each performance, and 29% of the LSO tickets and 6% of the RSC tickets remained unsold. It was also particularly disappointing that the use of the ticket facilities for official entertainment had dwindled to virtually nothing, so that the facilities (with sale of the tickets at half price) were entirely a staff benefit. He found it hard to justify their continuation in the absence of a plausible basis of official entertainment, such as was clearly evident for the comparable facility in respect of the Royal Opera House, Covent Garden. He proposed, therefore, that the facilities at the Barbican should be discontinued when the current run of tickets had been used up (after 8 December for the LSO and 25 January 1984 for the RSC). In the discussion that ensued, Members concurred with the proposal made by the Deputy Governor, but it was also agreed that consideration should be given to the possibility of supporting the Barbican ventures in other ways.

The Governor then raised with the Committee the possibility of a visit by him to South Africa in October 1984. He had been warmly invited to make a visit at that time and would in principle like to accept. But there were clearly political sensitivities. He would in any event consult the Foreign and Commonwealth Office before taking any decision. But he would first be grateful for Members' views. In discussion, it was suggested that it would be preferable for any visit to South Africa to be included in a tour of "Southern Africa" along with visits to one or more black African states. It was also felt that it would be easier to defend a journey to South Africa if other regions had been visited first. In this connection, the Governor's planned visit to the Middle East early next year would be helpful. The view was expressed nevertheless that, particularly in view of the likelihood of considerable advance publicity for a visit by him to South Africa, there might be advantage in deferring it to the following year, giving time for other journeys first.

A. H. T. Williams
Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 8 DECEMBER 1983

Present

THE DEPUTY GOVERNOR
LORD NELSON
SIR JASPER HOLLOM
SIR ADRIAN CADBURY
SIR HECTOR LAING
SIR DAVID STEEL

The Minutes of the last meeting, having been circulated, were approved

N/E
A Quarterly Report from the Audit Committee was laid before the Committee. It was agreed that it should be submitted to the Court without discussion, Sir Jasper Hollom having observed only that several matters of concern arose from the Report, which he would wish to draw to the Court's attention.

CT 72
CT 70
dhc me
The Deputy Governor then raised with the Committee a proposal to change the method currently employed for appointing the Committee, namely a ballot among the Directors which took place at the first meeting of the Court in March each year. The method was governed by a Resolution of the Court of 1 March 1946, which itself reflected earlier recommendations and perhaps also the desire to avoid potential difficulties which were no longer a threat. The method now seemed artificial and awkward, particularly in view of the present character and purposes of the Committee; and, with the Governor's approval, he wished to suggest that for the future the arrangements for appointing the Members of the Committee should be aligned with those for the Court's other Standing Committees. The opportunity could moreover be taken to rationalise the timing of the annual appointments to those Committees.

AGH

CF 70
CF 72
the lib

In discussion the evolution of the Committee of Treasury was recalled and it was emphasised that responsibility for appointing Members of the Committee would remain with the Court, as with the other Committees. It was agreed to recommend to the Court of Directors that it should:

- (a) Delete Clauses 2, 7 and 8 of its Resolution of 1 March 1946 and replace Clause 2 as follows:

That the Members of the Committee, other than the ex officio Members, be appointed annually by the Court, provided always that no more than one Executive Director may be so appointed, and that casual vacancies be filled by the Court at its discretion.

- (b) Resolve that:

- CF 70
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- (i) The Members of all its Standing Committees in the ensuing year should henceforward be appointed at its first meeting in March each year.
- (ii) The arrangements for visits by Directors to the branches and offices of the Bank during the ensuing year should henceforward be approved at its second meeting in March each year.

A. J. T. Williams
Secretary of the Bank

COMMITTEE OF TREASURY

THURSDAY 15 DECEMBER 1983

Present

THE GOVERNOR
 THE DEPUTY GOVERNOR
 LORD NELSON
 SIR JASPER HOLLON
 SIR ADRIAN CADBURY
 SIR HECTOR LAING
 SIR DAVID STEEL

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

The Committee had before them a proposed Minute concerning two senior appointments. In explaining the background, the Governor said that the intention was that upon taking up his appointment Mr Flemming should attend meetings of the Court in the same way as Mr Dow now did. After a short discussion of matters related to the appointments, it was agreed to recommend to the Court that, consequent upon the forthcoming retirement of J C R Dow, an Adviser to the Governor, the following appointments be made with effect from 1 March 1984 -

J S FLEMMING (42)
 a Chief Adviser and
 Head of the
 Economics Division,
 Scale 12

to be the Economic Adviser to the
 Governor, with the status of Associate
 Director, at a salary of £52,000.

C T TAYLOR (45)
 an Adviser,
 Economics Division,
 Scale 9

to be Head of the Economics Division,
 on Point C.

A. J. T. Williams

Secretary of the Bank

