



COMMITTEE OF TREASURY

THURSDAY 14 FEBRUARY 1991

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
LORD LAING
SIR DAVID SCHOLEY
SIR DAVID WALKER

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





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C. A. Craggs.

Secretary 1st to 10th.

21 or March 1991.

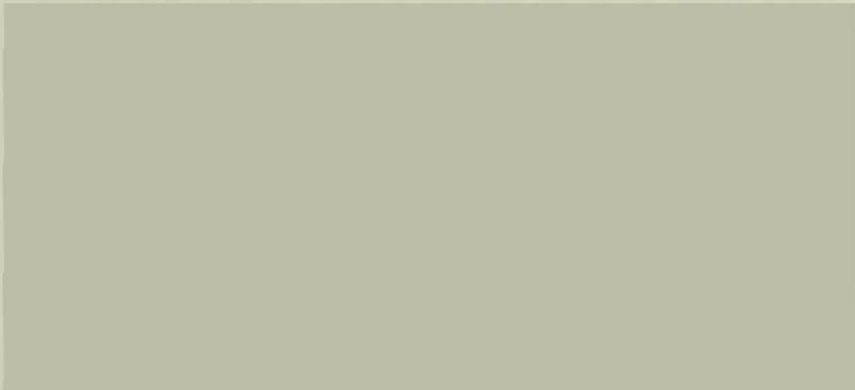
COMMITTEE OF TREASURY

THURSDAY 21 MARCH 1991


Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR ADRIAN CADBURY
SIR DAVID SCHOLEY
SIR DAVID WALKER

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



At the Governor's invitation, the Deputy Governor introduced a report on the Bank's current financial position. Referring to the forecast of the Banking Department's Profit and Loss for the year ended 28 February 1991 the Deputy Governor said that there had been strong growth in total income of some 20% to £284 mn. This reflected an increase in income on bankers' balances, which had risen substantially during the year making it possible to reduce the cash ratio deposit from 0.45% to 0.4%: this would offset the growth of the previous year. To protect against a fall in interest rates, the Bank had continued to increase its fixed income by building up its portfolio of gilt-edged securities.



Total current expenditure for the year was forecast at £186.3 mn, an increase of 7% above budget. Personnel costs in respect of mortgage subsidies, severance scheme expenses and pay were expected to exceed budget by £3.4 mn. Costs relating to Premises and Equipment and Other Expenditure were also each forecast to exceed budget by £2.3 mn, in both cases largely on account of the New Change modernisation project. Profit before provisions was estimated at £152 mn compared with £111 mn the previous year. After provisions in respect of a recent Banking Department error relating to the Central Bank of Iraq and adjustments brought about by the change of accounting policy in respect of the Bank's holding of British Government Securities, an operating profit of £155.6 mn was forecast. Taking into account the exceptional dividend of £12 mn from Minorities Finance Ltd, the operating profit before taxation would total £167.6 mn resulting in a dividend after tax of £68.6 mn.

However as a result of the change in the accounting procedures for gilts it was necessary to make a prior year adjustment which would add £30 mn to investments in the balance sheet. It was appropriate to pay a share of these additional reserves to HM Treasury and it was proposed to achieve this by increasing the dividend for the current year. Accordingly the total dividend after tax would amount to £80.3 mn and the recommendation to pay 50% by way of an interim payment to HMT, in accordance with the agreed formula, would be submitted to Court on 4 April.

Looking ahead to the outcome for the current year, 1991/92, the Deputy Governor anticipated a further rise in income with expenditure some £4.7 mn below the outturn for the current year but some £3.3 mn above the budgeted figure for 1990/91. However the implied level of the operating profit would depend very much on realising the staff savings of some 200 people identified in the budget: it was hoped to achieve this on a voluntary basis although some compulsory redundancy could not be ruled out.

Arising from the financial report and the forecast for the coming year, Sir David Scholey enquired whether the estimated income from rent was based on fixed or estimated letting of

part of the New Change building. In response to questions from Sir David Walker, the Deputy Governor also undertook to consider the level of the Bank's insurances; and to compare the ratio of our support staff to Banking and EDP staff with that of the Bank's external analogues.

C. A. Cragg.

Secretary of the Bank. 30 May 1991

COMMITTEE OF TREASURY


THURSDAY 30 MAY 1991

Present

THE GOVERNOR
THE DEPUTY GOVERNOR
SIR DAVID SCHOLEY
SIR DAVID WALKER
SIR BRIAN CORBY
MR LAIRD

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

The Governor said that following the particularly adverse reaction to the publication of his remuneration in the Annual Report and Accounts the previous week, he would welcome advice from the Committee. It was almost certain that the matter would be raised in the House of Commons the following Tuesday in Prime Minister's Question Time and briefing had been requested for the Prime Minister: it would also be helpful to consider what action, if any, the Bank might take in advance. After some discussion it was agreed that the Remuneration Committee should defend robustly its stance in establishing a salary structure based on the principle of the rate for the job for the Bank's Executive and that a statement to this effect should be prepared, but there was some debate about timing the public release of such a statement. It was thought that an immediate voluntary response would be inappropriate but that a statement might be necessary the following week in response to Prime Minister's Question Time. Failing that, an announcement should be made at an appropriate time in advance of the publication of the Annual Report and Accounts for the coming year together with an indication of the salary levels. Matters should not be left to emerge at the time of publication.



In referring specifically to the salary levels the Governor said that he would not wish the Bank to abandon the structure that had been adopted for the Executives' salary but he was concerned particularly about the level of his remuneration and the figure that would be carried into the next Annual Report and Accounts. Although he did not favour publicly waiving part of his salary he felt that he should do so now in response to political pressure. This need not impinge on the salary level of the Deputy Governor and of the Executive Directors and the Governor felt that the Executive Directors' salaries should continue at the levels agreed by the Remuneration Committee despite an increase of the order of 20% for the current year. He proposed that his remuneration should reflect an increase of only 5% over the currently published figure of £155,019.

The Committee agreed that it was important to preserve the salary structure and that the Deputy Governor's and Executive Directors' salaries should be maintained. It would also be appropriate in the present circumstances for the Governor's salary to be adjusted as he proposed. On this basis the salary of the Governor and Deputy Governor would be of a similar order of magnitude when published in the next year's Annual Report and Accounts, although with the differential in favour of the Governor just maintained.

A Report of the Audit Committee was laid before the Committee and it was agreed that it be passed to Court without discussion.

G. A. Cragg
Secretary of the Bank.
19 September 1991.

COMMITTEE OF TREASURY

THURSDAY 19 SEPTEMBER 1991

Present

THE GOVERNOR
SIR ADRIAN CADBURY
SIR DAVID WALKER
SIR BRIAN CORBY

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

At the Governor's invitation Mr Footman, Head of the Information Division, attended the meeting.

The Governor said that although Mr Footman and the staff in the Information Division did an extremely good job in managing the Bank's press relations in normal situations he was concerned that they may not be fully equipped to deal with a deliberate anti-Bank campaign by the press which he felt might currently be in operation. Following media comment about the Bank's handling of the BCCI affair and other matters recently he felt it would be appropriate to try and remedy the situation. It would be some months, possibly even a year, before Lord Justice Bingham's report was available and he felt that was too long to wait in the hope that it would then redress the balance.

Accordingly, earlier in the month the Governor had held a meeting with senior colleagues to seek their views on whether the Bank should engage a firm of PR consultants or an adviser, and whether we needed a parliamentary consultant to help in establishing better relations with back-bench MPs of all parties. The consensus view had been that it would be wrong for the Bank to embark upon a determined campaign carried through by a firm of PR consultants. It would be risky. It would soon become known that we had adopted

this course of action; it would not necessarily enhance our standing; and it might require the approval of HM Treasury. The general opinion however was that there was room for the Bank to improve its image by hosting lunches and dinners and speaking to back-bench parliamentary committees etc.

The Governor said that he had also spoken with [redacted]

[redacted] Her view was that the Bank had a good reputation for handling the press in the normal way but that we were vulnerable in situations such as the current wider campaign. She suggested that we would be wise to consult, but not necessarily retain, a public relations adviser and suggested two names, [redacted]. The Governor said that he was confident that the discretion of either could be relied upon but he was inclined towards [redacted] whose breadth of experience and influence was considered to be broader than that of [redacted] who was very much City orientated.

Sir Brian Corby said that he had a high regard for the Bank's PR but he did question whether we matched the professionals. He felt that some degree of external advice would be appropriate but ideally not when we had the sort of problems that surrounded the Bank at present. However, we were not equipped to cope with dirty tricks - the leaking of the Governor's speech the previous evening for example - and so low level advice might now be very valuable. Sir Brian also cautioned about the use we made of secrecy. It had featured prominently in our handling of the BCCI affair and we should be careful now not to be seen to go to the other extreme and perhaps abandon it if we thought it was to our advantage. Sir Brian endorsed the value of low key lunches etc to foster relations with Parliamentarians but doubted the value of a parliamentary consultant at the present time.

Sir David Walker was opposed to the Bank engaging a high profile person and felt that any deliberate high level campaign would be inappropriate for the Bank. Nevertheless he suggested that the Bank had a very little natural constituency of support and endorsed the view that we should be more pro-active in our approach to MPs on both sides of the House. He also suggested that the Bank should

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have better contact with the Lobby and editors, not only city editors, of all the national press. His experience of engaging a parliamentary consultant at SIB led him to disagree with Sir Brian. Sir David found the continuous flow of information from the political scene of great value.

Sir Adrian Cadbury's view was that we did not want anyone "speaking for the Bank" but by careful selection we should be able to engage someone who could help the Bank make its own case. He supported Sir David's view that we should approach those above city editor status and should establish a rapport with the opinion formers and, in parliamentary terms, we should not forget those in opposition.

In expressing his concerns, John Footman said that the Bank suffered in its relationships with the media because we played by the rules. We did not go in for attack; we did not mislead; we were constrained in how much of the truth we could tell. This approach would constrain as whatever form of external assistance we received; but he felt that some assistance in identifying potential problems would be helpful.

Summing up, the Governor said he would not want to change the way we were perceived. We could diminish our standing by adopting a more aggressive approach and that would not be appropriate. He was grateful for the advice of the Committee and felt that it might now be appropriate to engage in a "one off" consultation with a PR adviser.

L. A. Craght

*Secretary 19 March 1992
of the Bank.*

COMMITTEE OF TREASURY

The Committee of Treasury was stood down with effect from 29 February 1992, following discussion and recommendations arising from the Report of the Court Working Party of 31 October 1991.

A handwritten signature in cursive script, appearing to read 'C. S. Crighton'.

Secretary of the Bank

5 March 1992.

