

MEETING OF THE COURT OF DIRECTORS

Monday, 10 December 2018

Present:

Mr Fried, Chairman

The Governor

Mr Broadbent, Deputy Governor – Monetary Policy

Sir David Ramsden, Deputy Governor – Markets & Banking

Mr Woods, Deputy Governor – Prudential Regulation (from item 3)

Ms Glover

Baroness Harding

Ms Noble

Mr Prentis

Mr Robert

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer

Apologies:

Sir Jon Cunliffe, Deputy Governor – Financial Stability

Secretary:

Mr Footman

1. Minutes and Matters Arising

The minutes of the meeting held on 13 November were approved.

There were no conflicts declared in relation to the present agenda.

The Chair reported that the Chancellor had designated Baroness Harding as Deputy Chair of Court. Court approved the appointment of Dorothy Thompson as Senior Independent Director.

The Chair advised Court in confidence that Don Robert was to be appointed to the Board of the London Stock Exchange Group with a view to becoming Chair at the AGM in May. Since the Bank was the regulator of a part of the group, Mr Robert would be standing down from Court at the end of April. He would however continue to act as an adviser to the Court RTGS Renewal Committee, which he currently chaired.

Jo Place said that pending appointment of a successor to Rommel Pereira, Rob Thompson would act as Finance Director.

2. NAO VfM Report

(Sir Amyas Morse, Peter Gray, Rommel Pereira and Stephen Brown)

Court reviewed a draft of the NAO's report on the Bank's Central Services.

Peter Gray said that the process had been constructive and the Bank team had evidenced a strong desire to make coherent changes to Central Services and were taking forward an array of initiatives. The NAO's view was that these were heading in the right direction and recognised that the Bank compared favourably with other central banks. In the deep dives, costs had been benchmarked against other public sector bodies and some areas looked expensive, partly because Central Services were supporting an over-complex structure. The NAO had also noted a need to secure buy-in and compliance with policies set at the centre, citing procurement as an example, although it had noted the changes underway. The Bank was improving its use of office space but its own analysis showed that at any one time there were 800 unused desks across the organisation. Meeting the flat nominal budget cap would be challenging if these cost pressures were not addressed. There needed to be a clear line of sight where slippage impacted on budgets. The new target operating model in Central Services involved an array of initiatives, which it would be important to calibrate and co-ordinate.

Ms Place noted that the Bank's Code explicitly referenced compliance with policies, and sanctions including disciplinary procedures were available where there was a breach. The Governor added that he would expect that a casual approach to compliance would at the very least impact compensation. This was a matter for line managers. But the general warning was timely and well-understood.

3. Property Strategy

(Rommel Pereira, Stephen Brown, Mike Peacock)

Court observed that the present refurbishment programme was providing high-quality flexible office space, and agreed that desk sharing should become the norm once the roll-out of new technology was complete by summer 2019. On that basis, and subject to further infrastructure work, Court agreed that the Bank should aim to achieve a desk-sharing ratio of 0.85:1, in line with the Central Government benchmark, by February 2020.

It was agreed that Jo Place would advise the NAO of this decision as part of the final sign-off of the report, ahead of publication on 19 December. There would need to be communication to staff ahead of the PAC hearing on 21 January. Directors agreed that the communication should address the commitment to technology improvements and work/life balance, the former having been highlighted as an issue in the Viewpoint survey.

4. ARCo Update

Dorothy Thompson said that ARCo had reviewed plans in the Notes Directorate for the issue of the polymer £20, and also the impact on the Bank and the note distribution network of the reduction in the use of cash in day-to-day transactions. It had also reviewed pressures in the monetary analysis and research area, the progress of the data hub, and priorities in Technology. The Committee had received a report on contingency planning for a range of possible Brexit outcomes which showed a high level of preparedness across the Bank. In the Audit part of the agenda, the Committee had reviewed and approved revisions to the cost allocation methodology, and discussed a timetable for publishing the Annual Report earlier than in recent years.

5. 2019/20 Strategic Goals, Re-prioritisation and Budget

(Rommel Pereira, Jonathan Curtiss, Rebecca Jackson, Joanne Fleming and Rob Thompson)

Rebecca Jackson summarised the strategic goals proposed for 2019/20. These were

- Bank resilience: Enhancing the strength, security and efficiency of the Bank's internal operations
- Brexit: Delivering a post-EU framework for financial stability
- Fair and Effective Markets: Catalysing structural reforms in Fixed-income Currency and Commodity markets
- Financial Sector Resilience: Establishing operational resilience in our prudential frameworks
- Fintech: Understanding and applying Fintech to help fulfil the Bank's mission
- Payments: Delivering the medium-term blueprint for the governance and infrastructure of the Real Time Gross Settlement system
- Resolvability: Making the resolution framework operational

One of the previous goals – understanding the causes and implications of the “lower for longer” interest rate environment - had concluded. Court noted that there was not a specific “people” objective: Rebecca Jackson said that people objectives underpinned all that the Bank did and that initiatives under Vision 2020 fed directly into the reform of Bank operations and processes. And the Governor commented that the strategy prioritised issues that had been raised by staff through the Viewpoint survey, including the need for reform of internal processes and prioritisation.

Directors noted that the Fintech goal seemed ambitious and broad. Sir Dave Ramsden said that the Governors had wanted to look beyond the narrow issues of Regtech and high value payments, but any involvements would always be bounded by the Bank’s mission to promote monetary and financial stability. Rebecca Jackson said that all of the strategic goals sat within the Bank’s core mission, which remained unchanged. The goals were areas of emphasis or change not a restatement of the Bank’s objectives.

Against the background of a flat nominal budget, savings would be made in areas that were not priorities, and most notably through the Transformation Programme in central services. These would require careful planning and communication and as far as possible staff whose roles ended would be offered reassignment opportunities.

6. Viewpoint Survey

(David Bailey, Gareth Ramsay, Anna Sweeney, Rebecca Jackson, Mark Menary and Annabelle Jones)

Anna Sweeney introduced a summary of the 2018 Viewpoint staff survey results. Overall the results were positive and improving though the stubborn areas were the same as in previous surveys – tools and technology; diversity and inclusion; performance management and reward; internal processes. The Senior Management Team had met twice to consider an action plan.

Court members questioned the decision to move the Viewpoint survey to a biennial basis. Jo Place said that a full-scale survey each year was costly but agreed to consider alternatives and return with proposals to Court.

7. Brexit Contingency Planning (Phil Evans, Laura Wallis, Alex Brazier)

Phil Evans outlined the timetable and the political uncertainties, noting that the ECJ had ruled that Article 50 could be revoked unilaterally and unconditionally.

The Bank was prepared for any form of Brexit and had put in place extensive contingency plans, working closely with the Treasury and the FCA. Some of the cliff-edge risks had been addressed through the passage of the Temporary Permissions and Recognitions Regimes. The EU appeared ready to act on the risks to cleared derivatives.

The Governor added that he had at the Treasury Committee's request provided the assessments that the Bank had developed for different Brexit outcomes. The important point for the Bank was that the core of the financial system was capable of weathering any Brexit shock. There had been some concern about politicisation of the institution. The Chair noted – and Court as a whole agreed – that in describing the scenarios the Governor had been acting entirely within the Bank's mandate.

8. FPC Report including Stress Tests (Alex Brazier)

Alex Brazier described the process and the outcome of the 2018 stress test of the major banks. The test itself had been more severe than the financial crisis, and than the most extreme Brexit scenario. Banks would be able to stand many months of severe market disruption.

9. PRC Update

Sam Woods updated Court on recent supervisory issues.

10. Matters Reserved to Court (John Footman)

Court approved an update to “Matters Reserved”, to reflect changes in sub-committee terms of reference and other updates.

11. Annual Review of Court Minute Redactions

(John Footman)

Court reviewed the redacted passages from its published minutes for 2016, and agreed a number for publication.

12. Committee Conflicts

(John Footman)

As required by the Bank of England Act, Court reviewed and approved changes to the Conflicts Codes of the three statutory policy committees.

The meeting of Court was closed.