

## **MEETING OF THE COURT OF DIRECTORS**

**Monday, 8 April 2019**

Present:

Mr Fried, Chair

The Governor

Mr Broadbent, Deputy Governor – Monetary Policy

Sir Jon Cunliffe, Deputy Governor – Financial Stability

Sir David Ramsden, Deputy Governor – Markets & Banking

Mr Woods, Deputy Governor – Prudential Regulation

Ms Glover

Baroness Harding

Ms Noble

Mr Prentis

Mr Robert

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer

Secretary:

Mr Footman

### **1. Minutes and Matters Arising**

The minutes of the meeting held on 12 February 2019 were approved.

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

The Governor advised Court of some forthcoming role changes among the Executive Directors.

Ms Place said that good progress had been made in identifying a new CFO, and it was hoped to make an appointment by the end of May.

The Chair briefed Court on the process to identify replacements for Mr Robert and Mr Prentis.

Ms Place said that following Court's decision on the future of the Roehampton site, communications to staff and other current members of the Bank's sports club would be circulated later in the week. The Bank would offer a broader based, inclusive health and wellbeing package that would be available to all colleagues, irrespective of where they lived or worked.

## **2. Public Accounts Committee Report** (Rob Thompson, Ed Dew and Clare Cowan)

Ms Place noted the Report from the PAC on the Bank's Central Services, published on 13 March. It repeated themes from the earlier NAO report, and required a response by June. That would be provided.

## **3. ARCo Update**

Ms Thompson updated the Committee on the most recent ARCo meeting. The Committee had approved a revised non-audit fees policy, involving a cap on non-audit work undertaken by the Bank's auditor (reports paid for by supervised firms would generally be outside the cap). It had reviewed progress on the year-end Audit, in relation to which no material issues had thus far been raised. Bringing the Term Funding Scheme onto the Bank's books had resulted in a small increase in the IFRS9 expected loss provision. The new approach to risk reporting had been well received.

## **4. Brexit Stocktake** (Phil Evans and Grellan McGrath)

Against a background of uncertainty around the UK's relationship with the EU, Court reviewed the Bank's preparations and contingency plans. Mr Evans noted that most of the risks on the FPC's checklist had been mitigated. Some risks continued to depend on actions by EU and member state national authorities, including uncleared derivatives and cross-border data transfer. The Statutory Instruments that would underpin continuing financial stability had become law; MoUs with European regulators were being finalised; and the Bank continued to work with the ECB on technical risk management around Brexit. The Bank was monitoring preparedness for Day 1, and was in a position to provide liquidity support as necessary in all major currencies. Preparations were now focussed on the issues arising from an extension of Article 50.

Court briefly discussed the uncertainties. It was noted that the degree of disruption from "no deal" would depend in part on the circumstances and the reactions of EU 27 authorities.

## **5. HR Issues**

### **(a) Top Talent Management and Succession Planning** (Lea Paterson and Jonathan Curtiss)

Court members reviewed and agreed plans for Executive Director and potential Deputy Governor succession. Members discussed the mentoring and other support that should be offered to those taking on new, unfamiliar and potentially challenging roles.

### **(b) Quarterly Diversity and Inclusion Update** (Lea Paterson, Jonathan Curtiss, Gareth Ramsay, Christina Segal-Knowles, Shelagh Prosser and Ratidzo Starkey)

Ms Paterson said that the latest metrics showed continuing progress towards the Bank's gender and BAME targets. Female representation at senior level – Head of Division and above – was now 31%, compared with 17% in 2013 and up two percentage points over the latest year. The end-2020 target of 35% looked achievable with continued effort. Below Head of Division, female representation was 46%, against the end 2020 target of 50%. BAME representation at senior level remained unchanged over the year at 5%, short of the end-2022 stretch target of 13%. But representation below senior management level had improved, to 19% - significantly close to the target of 20% for 2020. BAME resignation rates were slightly above the Bank average and following the discussion at February's Court, management had set up a BAME task force to look at this, and other issues, chaired by Sir Dave Ramsden, with membership drawn from the BEEM network, HR and business areas. A pilot "returners" programme had proved successful.

The move to pooled internal appointment decisions at the Governors' and Executive Directors' levels was seen as an effective means of ensuring that diverse (and often external) candidates were considered for senior positions.

## **6. Vision 2020 Progress Review** (Jonathan Curtiss and Emma Murphy)

Court reviewed a progress report on the Vision 2020 initiative. Ms Murphy said that the programme was designed to reform key aspects of Bank culture: the way people worked; the way decisions were taken; and the way the Bank communicated with its audiences. The visible signs of progress were in the Bank's approach to communication – the "layered" Inflation

Report, which spoke to multiple audiences; communication through regional town halls; use of digital platforms. Within the Bank, working across boundaries and outside silos had been encouraged, facilitated and rewarded; and decision-taking meetings were supported now by shorter, more focused analyses and recommendations.

Court welcomed the clarity and detail of the presentation. Baroness Harding asked whether the link between communication and prioritisation (“doing what matters most”) was sufficiently clear given that prioritisation was in the last resort a central decision. Ms Noble enquired about the emphasis on written documents in the decision-taking strand. The Governor noted that papers were important in defining the decisions to be taken: what had changed was how they were commissioned and shared, requirements on brevity and conciseness, as well as how issues were defined, decisions recorded, and follow-up implemented. Mr Broadbent commented that changes recently introduced in MA had also reduced the number of stages that policy papers had to go through. Mr Woods said that it was important in the PRA that decisions were taken at the right level – that had involved pushing some down and pulling some up.

Baroness Harding cautioned that there was still much to do, but foundations were being laid. Ms Murphy agreed and said that embedding cross-Bank working was the major remaining target before the project closed.

## **7. Communications Report** (Gareth Ramsay)

Mr Ramsay said that the communications strand of Vision 2020 had been largely delivered in 2017, and the most recent year had seen further work to build the skills, tools and processes that would enable the team to create and deliver targeted digital content, and creation of a measurement framework assess how well it was working.

## **8. Annual Report**

### **(a) Annual Report Text** (Gareth Ramsay, Lea Paterson, Sanam Conway and Vijay Reed)

Court reviewed a draft text of the Annual Report. Members would send more detailed drafting comments direct to the Annual Report team and the full report would be brought for approval in May.

**(b) Climate Change Disclosures**  
(Chris Faint and Theresa Lober)

Court agreed that the Bank should include in future annual reports disclosures on how it integrates climate-related financial risk across its balance sheet and processes. This format would reflect work within the central bank Network for Greening the Financial System in response to the Report of the G20 Task Force on Climate Change Disclosure.

**(c) PRA Annual Report Narrative**

Court noted the draft PRA Annual Report.

**9. Support for MPC and effectiveness review:**  
(Jamie Bell and Lucy Chennells)

Mr Bell said that the latest MPC survey had been positive about the support provided by Bank staff: 80% of all responses were either “excellent” or “very good”. Overall this was an improvement on previous years and compared with last year 25 out of 40 questions had a better average score. There were especially positive responses on the work of the Bank’s regional Agents and the Bank’s Parliamentary affairs team. Areas for improvement included earlier circulation of meeting papers, and there were some suggestions for improving IT support. Ms Chennells said that proposals for increasing the effective use of IT (eg secure collaboration tools) had also surfaced in the meetings with the Chair of Court, but otherwise the tone from those meetings was similar to that from the survey.

**10. Support for FPC and Effectiveness Review**  
(Christina Segal-Knowles, Vicky White and Lucy Chennells)

Ms Segal-Knowles said that the latest survey of FPC members showed continuing strong scores for the support provided by secretariat and staff. There remained some progress to be made in delivering IT that worked seamlessly for all members.

Ms Chennells noted that in discussion with the Chair of Court the members had been very positive about the role that the FPC had been able to play in defining Brexit risk to financial stability.

## **11. Independent Evaluation Office (IEO)**

(Melissa Davey, Niki Anderson, James Proudman, John Power and Renee Horrell)

Further to a discussion in February, Court approved for publication the IEO Report on the Bank's approach to stress testing, and noted the Bank's response.

Court reviewed a report from the IEO on the implementation of its 2016 evaluation of the PRA's approach to its Secondary Competition Objective (SCO). The IEO had found that all of the recommendations had been implemented successfully, and judged that these had helped to put the SCO on a stable footing, so that potential competition issues were identified at the right time in the policy making process.

Court also noted a summary stocktake of all past IEO projects. It agreed that this should continue to be tabled on an annual basis.

## **12. Risk**

(Stephen Brown, Julia Rangasamy and Nat Benjamin)

Court noted the six-monthly Risk report and plans for the new Risk Directorate, previously discussed with ARCo.

Court approved the statement on risk management and internal control systems for inclusion in the Bank's Annual Report.

## **13. Committee Conflicts**

The Secretary noted that Dame Jayne Anne Gahdia's appointment to the FPC had been deferred for 12 months, to 1 April 2020. Mr Taylor had agreed to continue to serve on the FPC until March 2020.

## **14. Any other business**

The Chair briefed Court on HMT's process for appointing a replacement for the present Governor, whose term would expire in January 2020.

## **15. Papers for Information**

Court noted:

- Report from the Monetary Policy Committee
- End of Year (2018/19) Financial Position of the Bank
- 12 Month Court planner
- Houblon Norman George Fund Accounts

**The meeting of Court was closed.**