

MEETING OF THE COURT OF DIRECTORS

Monday, 2 December 2019

Present:

Mr Fried, Chair

The Governor

Mr Broadbent, Deputy Governor – Monetary Policy

Sir Jon Cunliffe, Deputy Governor – Financial Stability

Sir Dave Ramsden, Deputy Governor – Markets & Banking

Mr Woods, Deputy Governor – Prudential Regulation

Ms Glover

Baroness Harding

Mr Kalifa

Ms Noble

Ms Smits

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer

Apologies:

Ms O'Grady

Secretary:

Mr Footman

1. Minutes and Matters Arising

The minutes of the meeting held on 25 October 2019 were approved.

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

Ms Place said that following discussions in Govco she planned to announce in February a review of the Bank's current pension offering. This would be five years on from the OBYR reforms, and would provide an opportunity to take stock of the relationship between pension and salary, and the impact that current opt-out rates had on measures of pay equality.

2. The Governor

Court had on 29 November approved by written resolution the Governor's role as UN Special Envoy for Climate Change, an appointment that he would formally take up on leaving the Bank. In the meantime the role was fully consistent with and supported his functions at the Bank. The Governor said that he saw the role – and the preparation for UK-hosted COP26 summit in

Glasgow – as an opportunity to make a material difference in integrating climate change into financial decision-making, by banks, insurers and asset managers.

3. ARCo Update

Ms Thompson said that ARCo had at its November meeting taken reports from Compliance, Monetary Analysis, the Data and Analytics Transformation, Notes and the Finance Directorate.

4. Appointment

Court approved the appointment of Anna Sweeney and Charlotte Gerken as joint heads of Insurance in the PRA. Mr Woods explained that Anna Sweeney would focus on general insurance and also lead work outside the Directorate on the PRA’s strategy and operating model. Charlotte Gerken would cover life insurance and also cross-cutting work.

5. Financial Review October 2019/20 Year To Date and Budget Update 2020/21 (Afua Kyei and Rob Thompson)

Ms Kyei outlined the latest full-year forecast for 2019/20. The Governors had agreed that the allocation for staff performance awards should remain in line with last year, in recognition of staff contribution over a challenging period. For the following year, it had been decided to set performance awards after the point at which the cost outturn against budget was certain.

The final budget for 2020/21 would be presented to Court for approval in February.

Directors discussed the treatment of depreciation and whether an investment constraint separate from a flat real budget would be applied in 20/21, recognising that further investment could help medium term efficiencies. It was confirmed that beyond 2020-21 it would be appropriate to set a multi-year budget horizon. Setting a separate budget constraint for BAU and Investment was under consideration, to move towards changing the relative proportions of Run and Change spend. It was confirmed that a restructuring provision would be made in 2020/21.

6. Viewpoint Survey Results

(Mark Menary, Lea Paterson, Rebecca Jackson, Gareth Ramsay and Rob Elsey)

Court discussed the results from the latest Viewpoint staff survey. These showed a decline in the measures of “engagement” though they remained high overall relative to the UK average;

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and a decline in “enablement” particularly in relation to technology. Mr Elsey said that much of this arose from the roll-out of new laptops and desk telephone systems where there had been teething problems, and the complexity of the Bank’s IT estate had made it harder to integrate with the Windows 10 operating system.

7. MPC Report
(Andy Haldane)

Mr Haldane said that there had been little news about the macro-economic outlook since the previous update to Court. Growth was weaker, reflecting both a slowdown in global growth and Brexit uncertainties. The labour market was if anything softening with both employment and vacancies falling; though pay growth was slightly stronger than expected. Price inflation remained low, driven by oil and other energy prices. The MPC had maintained Bank Rate at 0.75%.

The new Monetary Policy Report, replacing the Inflation Report, was designed to highlight the main themes in policy formation, giving a better reflection of the debate around the MPC table. It was part of the Bank’s drive to improve its communication on policy issues, and had been well-received.

8. FPC Report
(Alex Brazier)

Mr Brazier said that the FPC was pivoting to assess new risks and keep pace with an evolving financial system. Its work programme included: the climate stress test; market-based finance and open-ended funds (both areas with the potential to raise systemic issues) and new payments infrastructure and its regulation.

9. Risk Report
(Stephen Brown, Sarah John, Nat Benjamin and Julia Rangasamy)

Mr Brown reviewed current operational and financial risks facing the Bank.

10. Annual Review of Court Minute Redactions

(John Footman)

Court may withhold (redact) from its published minutes information that in its view would be contrary to the public interest to publish. Such redactions are kept under periodic review, and Court agreed to publish some material from its 2017 minutes that was no longer seen as sensitive.

11. Matters Reserved to Court

(John Footman)

Amendments to “Matters Reserved to Court”, the Bank’s core governance document, were approved. This included changes to the terms of reference of the Audit and Risk Committee and the RTGS Renewal Committee.

12. Committees’ Conflicts

(John Footman)

The conflicts registers of the policy committees were reviewed by Court.

13. MPC Communications Code

(John Footman)

Amendments to the MPC Communications Code, previously discussed by the MPC, were approved by Court.

14. Recognition

The Governor recorded the Bank’s immense gratitude to its Secretary, John Footman CBE, on his 50th year of continuous service to the Bank. Court congratulated Mr Footman on his outstanding service and wished him continued success.

15. Papers for Information

Court noted:

- 12 month planner
- Policy Committee term dates

16. Addendum

On 20 December 2019 Court approved, by written procedure, a proposal to hold an internal review into the misuse of the Bank's press facilities. The review would be led by the Bank's Internal Auditor supported by the Director of the Bank's Independent Evaluation Office, reporting to the Chair of the Audit and Risk Committee. A summary of the findings and recommendations of the Review would be published in due course.

The meeting of Court was closed.