

## MEETING OF THE COURT OF DIRECTORS

**Wednesday, 9 September 2020**

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

Mr Kalifa

Ms Noble

Ms Smits

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer\*

Apologies:

Baroness Harding

Ms O’Grady

Secretary:

Mr Footman

\* These members and all presenters joined by phone

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

The minutes of the meeting held on 8 July were approved.

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

### **2. NAO Report – The Production and Distribution of Cash**

(Gareth Davies, Peter Gray and Toby Evans (NAO), Sarah John, Afua Kyei and Sue Docker)

Gareth Davies (the Comptroller and Auditor General) and colleagues from the National Audit Office joined the meeting to discuss their near-final report on the production and distribution of cash in the economy. Gareth Davies said that the report covered the work of five key public bodies – including the Treasury, the Bank and the Mint – focusing on how the Treasury set and monitored objectives and how the Bank and the Mint delivered them.

A notable development, which had become more prominent in the Covid Lockdown, had been the trend away from cash as a means of payment. But the value of notes outstanding had continued to rise, and on the Bank's estimate some £50bn of notes were held for purposes other than transactions. The NAO were keen to understand better who was holding these stocks, and recommended that the Bank, working with other public bodies, should do more work in this area. They would also like to understand better the rationale for the Bank's own stock of unissued notes. Finally they had reviewed the benefits and costs of the switch from paper to polymer notes.

Sarah John said that the Bank was comfortable with the recommendations. The Bank was content to continue its analysis of private sector note holdings. Ben Broadbent noted that the nature of cash, as a bearer instrument, makes it intrinsically difficult to say who holds it. The Bank's own stocks were as it happened unusually high at the time of the NAO's study because of the launch of the polymer £20, and had since fallen. Demand could be volatile – there had been substantial drawings of cash during the Covid lockdown as there had been during the 2007-8 financial crisis. The Bank needed to be able to meet peaks in demand. On the polymer programme itself, the Bank's initial estimate had been that the programme would cost £25-30mn net over 10 years, but with the notes lasting significantly longer in circulation than expected, and with savings made on the purchase of raw materials relative to early estimates, the forecast now was that the programme would save £32-94mn over the life of the series.

Gareth Davies said that the point on the Bank's own stock was essentially one of governance to ensure it was explained and documented.

### **3. Update on Monetary Policy, Facilities and Brexit planning**

Andrew Bailey noted the substantial decline in the economy in the second quarter but there appeared from high frequency data to have been a fairly sharp upturn over the summer months. Consumer spending overall was back to pre-Covid levels, though leisure spending was unusually low. There had been a marked shift to online spending with implications for the wider economy. For the MPC, there was uncertainty over the future evolution of the Covid emergency and its impact on behaviours. Plainly there was a lot of downside risk. And it was not possible at this stage to judge the extent of permanent scarring from the impact of Covid.

Moreover the labour market was hard to read with the ONS recording employment falling but unemployment stable, while other data sources told a different story.

Inflation was expected to remain below target in the near term.

The MPC had maintained Bank Rate at 0.1% and had issued guidance: “The Committee does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.”

The August Monetary Policy Report had included a box on negative interest rates.

Ahead of the end of the EU exit transition period the Bank had been ramping up again its preparations.

#### **4. Update on Bank Operations and Staffing – Return to Work Planning** (Jonathan Curtiss, Lea Paterson, Dominic Whittle, Josh Simons and Katie Matthews)

Court noted the Bank’s advice to staff that barring a significant change to the Covid-19 situation, it would not transition to Phase 2 of its Recovery Plan until November at the earliest. This would allow sufficient opportunity to assess a number of triggers, including the return of children to school, the capacity of public transport, the likelihood and strength of any second wave, and staff preferences. Our policy had evolved as Government guidance had evolved.

Dorothy Thompson and the Chair raised questions about the long-term impact on the Bank’s effectiveness, capacity and culture from extended and widespread working from home. There was a risk of depowering the institution if working from home became the new normal.

Ron Kalifa said that reluctance to use public transport was still a constraint. That might be best addressed through staggered hours, structured so that people could travel at off-peak times.

Jo Place said that the Bank was (from the following week) making it easier for people to work on Bank premises if they wanted to, and was allocating space to areas across the whole of the Threadneedle Street building so as to make it possible to bring teams together. There would be no pressure, but it would be a step towards making coming to work normal. Court members reflected on their experiences in other workplaces.

**5. RTGS Renewal**  
(Victoria Cleland)

Victoria Cleland said that since the last Court meeting Accenture had been appointed as the Bank's Technical Delivery Partner, and a successful kick-off meeting had been held in August. It was however already clear that there were pressures on the delivery timetable. While to date the Covid-19 impact was largely manageable, a decision by SWIFT and the ECB to delay their ISO 20022 migration would have an impact on project timelines and costs. An assessment would be brought to the next Court.

**6. Press Conference Feed Incident**

Court discussed the review from the Internal Auditor and the Independent Evaluation Director, which was planned for release alongside the minutes of the July meeting, and noted the next steps and recommendations. Most had been implemented, and this would be monitored again at December Court.

**7. PRC Update**

Sam Woods briefed Court on current issues in the banking sector. The Covid emergency had created more work across the PRA and there were contingency plans for a further reprioritisation if that became necessary.

**8. Resolution Update**  
(Sasha Mills and Andrew Hewitt)

Sasha Mills updated Court on the work of the Resolution Directorate.

**9. Diversity and Inclusion**  
(Jacqueline Koay, Ragveer Brar and Lea Paterson)

Further to a discussion in July, Diana Noble outlined the terms of a proposed Court Review of Ethnic Diversity and Inclusion at the Bank. The aim would be to ensure that the Bank was on the right path, and with the necessary momentum, to achieve its objectives of attracting and retaining the best people in the Bank, reflecting the diversity of the UK, and being a BAME employer of choice.

The Review – which she would chair - would be led by a Steering Group including an external adviser; it would be supported by a working group, and the BEEM network. The aim was for conclusions and recommendations to be reported back to Court in April/May 2021.

It had been intended to review BAME targets at October's meeting of Court. It was proposed that this be deferred until the Review was further advanced.

Diana Noble added that in preparing these proposals she had been struck by the amount of work that had already been done. It was important that the BAME community trusted the process and it would help that the two BEEM Co-chairs were members of the steering group. But the review itself was only a start – what would matter was executive commitment to delivery of its recommendations.

Ron Kalifa said that it would be important to keep the objectives tight – there would be a lot of work. He noted that the proposal had taken ethnic diversity across the UK as a measure and questioned whether this was right for a London-based institution. He also encouraged the review to be open and communicative about its work as it progressed. Dave Ramsden, Chair of the BAME Taskforce, welcomed the Review and also stressed the importance of transparency. Lea Paterson confirmed that was the intention. Jo Place thought that the review would provide an opportunity to enhance the impact of the actions that the Bank had been taking.

Jacqueline Koay (a co-chair of the BEEM network) said that it was important (1) to make clear what the Review aimed to achieve; (2) to avoid duplication of work already done and (3) to define the terms of reference very clearly, setting objectives against each aspiration.

Court approved the Review, and the Chair said that its progress would be a standing item on Court's future agendas.

## **10. People and Culture**

### **(a) Mental Health**

(Sonya Branch, Anastasia Vinnikova, Linda Barnard, Thomas Jones, Hannah Burnett, Jonathan Curtiss, Cat Hines and Paul Wright)

Anastasia Vinnikova said that the Bank was fortunate in having a sound foundation for monitoring and supporting mental health of its staff. This was achieved through an active mental health network with senior sponsorship (Sonya Branch), the long-standing provision of staff counsellors, and the sharing through Bank Exchange of personal stories. There was strong support in HR, notably from the talent and onboarding teams. Check-in surveys during the Covid lockdown suggested that colleagues were coping well with current working arrangements. In terms of measuring success, Ron Kalifa suggested that the team look at the Mind wellbeing index.

### **(b) LGBT+ network**

(Ben Martin, Clare Mattin, Laura Bell, Ronan McEgan, Sarah Breeden, Jonathan Curtiss, Cat Hines and Paul Wright)

Following launch of the Out and Proud Charter in 2019, Court reviewed and endorsed an action plan intended to deliver the commitments. The action plan would be published in due course. Directors welcomed the leadership from Governors and other senior management.

## **11. Travel and Expenses Policy**

(Afua Kyei, Ed Moore and Paul McArdle)

Court noted a report on implementation of the revised Travel and Expenses policy, which came into force in March 2019. Compliance thus far had been good with few breaches and those largely technical. Allowance was made within the policy for business class travel and non-standard hotels with reasonable justification – for example security or flexibility. The pro-active publication of senior staff expenses was proceeding, though there would be little to show in the Lockdown months. Court agreed that the policy should be reviewed again, in the light of experience, towards the end of 2021.

**12. DLR Contract**

(Sarah John and Toby Davies)

Sarah John asked Court to approve a three-year extension of the Banknote Supply and Services Agreement with De La Rue (DLR), which commenced in April 2015. The Agreement allowed for such an extension at the Bank's discretion. The extension would allow DLR to commit to undertaking additional third-party printing at Debden: this would make better use of the capacity of the site, with forecast demand for new Bank of England banknotes falling owing to the reduced use of cash for transactions and the longer than expected lifespan of the new polymer notes.

Court was content to approve the contract extension as proposed.

**13. Committee Appointments and Conflicts**

(John Footman)

Court noted the updated Conflicts tables.

**14. NEDs Directorships**

Court noted the revised tables showing members external commitments. The Secretary reminded members to give early notice of any new Commitment.

**15. Paper for Information**

Court noted the MPC Update.

**The meeting of Court was closed**