

MEETING OF THE COURT OF DIRECTORS

Wednesday, 10 February 2021

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 (Items 3-7 and 9-12)

Mr Kalifa

Ms Noble

Ms O’Grady

Ms Thompson

In attendance:

Ms Place, Chief Operating Officer

Secretary:

Mr Footman

1. Minutes and Matters Arising

The minutes of the meeting held on 11 December 2020 were approved.

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

Andrew Bailey advised Court that Alex Brazier’s current term as the Governor-appointed member of the FPC would expire at the end of March, and he would (after a period of restricted duties) be taking a career break to undertake opportunities outside the Bank. There would be a process to replace Alex as ED for Financial Stability and FPC member.

Jo Place noted that, following Court’s approval on 9 February, the appointment of Jamie Bell as Executive Director for Communications would be announced that day; and that Jane Cathrall had been appointed interim HR Director in place of Lea Paterson, who was taking a career break.

2. State of the Bank – Lockdown 3

Andrew Bailey said that the latest lockdown had been more restrictive than Lockdown 2 and, as in other organisations, had proved more difficult for many staff, particularly those with school-age children. In some cases the Bank had issued “critical workers” letters, but the Bank’s focus was on absorbing the impact so that parents could care for children at home wherever possible. Business areas had adjusted demands made on staff, and perhaps 15-20% of normal workload had been affected: but critical functions had been maintained. Access to the building was being reviewed fortnightly.

3. The Brexit Agreement and Financial Services

(Phil Evans, Grellan McGrath, Danny Konopka, Amy-Jane Burrell and Tim Rawlings)

Grellan McGrath noted that the Trade and Co-operation Agreement agreed on 24 December and the accompanying joint declaration on financial services regulatory cooperation posed no serious risks to the Bank’s statutory objectives. The joint declaration provided for both sides to move forward on equivalence decisions. An MoU was to be established by the end of March. Court discussed the potential implications of equivalence not being granted.

4. Report from ARCo

Dorothy Thompson said that at its January meeting ARCo had reviewed audit plans with the NAO and KPMG, focusing particularly on the valuation of collateral in the Bank’s facilities and the assets held in the CCF. The timetable for the Annual Report had been agreed. In the Risk section of the meeting, benchmarking of Central Services had been discussed, and the Committee had considered how benchmarking might inform VFM assessments. There had been a further discussion of emerging risks.

5. Report from RemCo

Dido Harding said that the Committee had approved pay awards for the Governors and Executive Directors.

6. The Bank's Finances

(Nat Benjamin, Afua Kyei, Kevin Moossa, and Paul McArdle)

(a) 2021/22 Budget

Court noted that the likely underspend on headline budget in 2020/21 (£486mn) had increased to £11.5mn, of which £9.2mn related to delays in investment spending, largely attributable to the Covid lockdowns. Some of that underspend would be carried forward into the proposed headline budget of for 2021/22, which would be £517mn. Total expenditure, including pensions, note production and the RTGS renewal programme, would be £736mn. On this basis the Bank would be only just breaking even, given present earnings and funding arrangements.

Andrew Bailey commented that there were underlying issues to address, in terms both of funding and headcount. Expenditure had been carried over, but the Bank needed a multi-year plan that took account of headcount increases and the amortisation costs of investment plans. It had been helpful in this round to look at current and capital expenditure together, along with income streams.

Court approved the Budget for 2021/22.

Nat Benjamin noted that given the position on loss-absorbing capital and the Bank's likely earnings, the Treasury was not expecting to receive a dividend this year.

7. Cyber Update

(Rob Elsey, Ben Davies and Jonathan Pagett)

Court was updated on the Bank's cyber-security arrangements, perceived threats and actions taken in response.

8. PRC

(a) PRC Update

Sam Woods updated Court on the work of the PRA.

(b) Update on FRF and Supervision of New Firms

(Vicky Saporta, Anna Sweeney, David Bailey, Simon Morley, Mel Beaman, Phil Evans, Alex Fernandes and Gary Moore)

Andrew Bailey noted the significant increase in the Bank's regulatory and supervisory responsibilities, for banks, insurers and FMIs, following the end of the transition period. Under the proposed Future Regulatory Framework (FRF), onshored EU regulations and technical standards would be brought into the Bank's (PRA and FMI) rulebooks. This was a very substantial change: there would be more challenge, and a need for greater accountability to Parliament.

Vicky Saporta added that a Treasury consultation on the changes would be completed by the end of the current year, but the FRF process would not be complete until 2023. Meanwhile, enabling legislation was needed to update parts of the prudential regime, notably to implement the Basel 3.1 standards. Separately, the Treasury had launched a review of the Solvency II regime for insurers.

Sam Woods said that one consequence for the PRA was an increase in the number of firms as those that formerly relied on passporting, and had entered the temporary permissions regime, required full authorisation as third country branches.

9. Ethnic Diversity Review Update

(Diana Noble, Amar Radia, Jennifer Pye, Ragveer Brar and Jacqueline Koay)

Diana Noble updated Court on the progress of the Review.

10. Corporate Governance Code

(Jonathan Curtiss and Helen Jenks)

Court agreed that consistent with the Corporate Governance Code recommendation on workforce involvement, it would invite Bank Unite representatives to a meeting once each year.

11. Committee Appointments and Conflicts

(John Footman)

Court noted the updated conflict tables.

12. Papers for Information

Court noted:

- MPR Report
- Update on Bank Operations and Staffing
- Annual Salary Review outcomes
- FMI MoUs

The meeting of Court was closed.