

MEETING OF THE COURT OF DIRECTORS

Wednesday, 26 May 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

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 14 April 2021 were approved.

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

Court APPROVED the appointments of:

- Jane Cathrall as Executive Director, People & Culture
- Sarah Breeden as Executive Director, Financial Stability Strategy and Risk
- David Bailey as Executive Director, UK Deposit Takers
- Rebecca Jackson to be Acting Executive Director, Authorisations, RegTech and International Supervision (ARTIS)
- Duncan Mackinnon to be Acting Executive Director, Supervisory Risk Specialists (SRS)

Andrew Bailey said that following an open selection process and subject to consultation with the Chancellor under S9B(2) of the Bank of England Act 1998, he proposed to appoint Sarah Breeden as a member of the Financial Policy Committee. An open competition was in

train to replace Andy Haldane as the Bank's chief economist, and there would be a further process to identify permanent appointments in ARTIS and SRS.

It was noted that a further pooled recruitment process was underway for Head of Division vacancies.

2. Ways of Working

With lockdown restrictions prospectively lifting, Sam Woods summarised the conclusions from a six-month project that he had led to consider the future balance between working in and out of the office; it had drawn on research, experience of other institutions, and widespread consultation within the Bank. There was good evidence that remote working could increase productivity if people wanted it, and many did: while continued enforced working from home was potentially negative for peoples' wellbeing. There was a balance to strike, and it would vary between teams and type of role. The aim was to offer more flexibility than before, but with some guardrails to ensure that teams worked as efficiently as possible, including a minimum central expectation in terms of presence in the office. The new system would be trialled from September and would be supplemented by additional hybrid working technology that would be installed over the summer months. Directors agreed that it would be important to ensure that tools were in place to counteract unintended inequalities, and that behaviours would be important to avoid the emergence of two separate cultures.

3. ARCo

(a) Report from ARCo

Dorothy Thompson said that the latest ARCo meeting had focussed on the Annual Accounts, which would be discussed later in the meeting.

(b) ARCo Annual Report

Court noted the Annual Report from ARCo for inclusion in the Bank's Annual Report.

4. RemCo

(a) Report from RemCo

Dido Harding said that Remco had met the previous day to approve the new ED salaries.

(b) Terms of Reference

Court approved amendments to broaden RemCo's terms of reference to include (1) the approval of any payment under a settlement agreement in excess of £95,000; (2) the efficacy and equity of employment, grading and reward practices in the Bank; (3) proposals for change in the management structure of the Bank; (4) the adoption of salary schemes for staff and other changes in personnel policy; (5) the agreement to contributions to the Bank's pension fund.

All of these apart from (1) were already matters reserved to Court.

5. Diversity Review

(Amar Radia, Jenny Pye, Jerusalem Gebremeskel, Will Abel, Nishat Anjum, Sagar Shah, Ragveer Brar, Jacqueline Koay, Jane Cathrall and Cat Hines)

Diana Noble said that final key findings and recommendations would be presented to Court in July.

6. Union Presentation

(Faisal Choudhry)

Faisal Choudhry, the seconded representative of Unite the Union at the Bank, joined the meeting. He noted that the relationship with the Union was a partnership, based on trust: there was a quarterly meeting with Andrew Bailey, though this was the first time that the Union had been invited to address Court (the Chair confirmed that this would become an annual event). The Union had appreciated the Bank's flexible and supportive approach during the pandemic and supported the approach to future ways of working.

Andrew Bailey said that he was supportive of a strong relationship with the Union.

Frances O'Grady stressed the importance of an honest relationship as the Union could bind together people at all levels; and Diana Noble said that Faisal's contribution to the D&I review had been greatly appreciated. Faisal said that the Union would be pleased to work with Court members to continue to develop the relationship and address future challenges.

7. Annual Reports

(i) Bank of England Annual Report and Accounts

- (a) *Annual Accounts, Letter of Representation and Dividend Payment*
(Afua Kyei, Nat Benjamin, Michelle Hinchliffe, Richard Faulkner, Andrew Hauser, Paul McArdle, Matt Cartledge, Jamie Bell and Chris Peacock)

Michelle Hinchliffe (KPMG) reported on the audit of the Bank's accounts. She said that there had been good co-operation with the Bank and the process had been open throughout; KPMG had worked closely with the NAO, which audited the indemnified entities. With the overall balance sheet approaching £1tn, there had been more work on confirmations and checking valuations of on and off balance sheet instruments. Collateral valuations and haircuts were sufficiently conservative. Pension Fund assets had been checked and assumptions confirmed – there were no material control deficiencies although some controls remained over-reliant on manual intervention.

Afua Kyei noted the £350bn increase in the Bank's balance sheet, reflecting the response to the Covid emergency via BEAPFF and the CCFE; and note issuance had increased by £10bn. This had not translated into profit – the Banking Department profit was £72mn, and Issue £62mn. Nat Benjamin confirmed that with loss-absorbing capital below the £3.5bn floor, no dividend would be payable to the Treasury.

- (b) *Annual Report*
(Jamie Bell, Chris Peacock, Stephen Brown, Jane Cathrall and Paul Wright)

Court was content with the text of the Annual Report.

The Report and Accounts were approved for signing that day.

- (c) *TCFD Report*
(Sarah Breeden, Nat Benjamin, Andrew Hauser, Chris Faint and Beth Blowers)

Chris Faint introduced the Report, which would be published alongside the Bank's Annual Report. This was the second such report, covering the Bank's role in promoting disclosures across its physical and its financial operations. Emissions from physical operations had declined substantially, reflecting a switch in electricity sourcing and greatly reduced air travel.

Emissions from financial operations also declined, and the Bank's discussion paper on greening the Corporate Bond Purchase Scheme had been published on 21 May.

Court noted the Report, and the Chair asked for a further discussion later in the year.

- (d) *BEAPFF Annual Report and Accounts*
(Afua Kyei, Nat Benjamin, Paul McArdle, Matt Cartledge and Andrew Hauser)

The Annual Report of the Bank of England Asset Purchase Facility Fund Ltd, which had been approved by its Directors on 25 May, was noted by Court.

- (e) *CCFF Annual Report and Accounts*
(Afua Kyei, Nat Benjamin, Paul McArdle, Matt Cartledge and Andrew Hauser)

The Annual Report of the Covid Corporate Financing Facility Ltd, which was to be approved by its Directors on 27 May, was noted by Court.

- (f) *Updated 2021/22 budget (for pension)*

Court noted an update to the 2021/22 budget. The main change was a reduction of £10.8mn in the pensions budget, driven by an increase in bond yields.

(ii) **PRA Annual Report**

Court noted the Annual Report of the PRA, which had been approved by the Prudential Regulation Committee on 19 May.

8. Committee Survey and Chair's Review (Melissa Davey)

Court noted the survey results from the three policy committees.

The Chair said that from his private discussions with each of the Policy Committee members a number of common themes were worth recording among them:

- i. There was uniform appreciation of the Governor's inclusive approach to chairing Committee meetings;
- ii. The quality of staff work was widely praised;

- iii. There were mixed views on remote meetings, but generally for large meetings the video conference facility was seen as an improvement on the auditorium;
- iv. There was considerable pride in what had been achieved during a very difficult year.

9. Annual EDMC Report

The Report from the EDMC was noted.

10. Committee Appointments and Conflicts (John Footman)

The Report was noted.

11. Papers for Information

Court noted:

- MPR Report
- Scottish and Northern Ireland Banknote Issuance Annual Report 2021

The meeting of Court was closed.