

Public Accounts Committee

Oral evidence: [Bank of England's central services](#),
HC 1739

Monday 21 January 2019

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Members present: Meg Hillier (Chair); Chris Evans; Nigel Mills; Stephen Morgan; Anne Marie Morris; Lee Rowley; Gareth Snell; and Anne-Marie Trevelyan.

Sir Amyas Morse, Comptroller and Auditor General, National Audit Office; Adrian Jenner, Director of Parliamentary Relations, National Audit Office; Peter Gray, Director, National Audit Office; and Richard Brown, Alternate Treasury Officer of Accounts, HM Treasury, was also in attendance.

Questions 1-150

Witnesses

I: Bradley Fried, Chair, Court of Directors, Bank of England; and Joanna Place, Chief Operating Officer, Bank of England.

Examination of witnesses

Witnesses: Bradley Fried, Chair, Court of Directors, Bank of England; and Joanna Place, Chief Operating Officer, Bank of England.

Q1 Chair: Welcome to the Public Accounts Committee on 21 January 2019. We are here today to consider the National Audit Office's Report on the Bank of England's central services. This is the first time we have had the Bank of England in front of us—I know that colleagues of yours appear before the Treasury Select Committee, but this is the first time that Parliament has had a good chance to look at how much you cost to run, how you spend your money and whether it is done efficiently and effectively. The Committee's remit, of course, is to examine that across the public sector. You have a huge role in making important decisions about monetary issues and the financial stability of the country, so it is important that you demonstrate that you practise what you preach. That is what we want to probe today.

I want to kick off with a question to Mr Fried. We have looked closely at the NAO Report—it was an interesting read for those of us who look at public sector spending a lot. How would you describe the state of the Bank's central services compared with other organisations at the moment? Sorry, I forgot to introduce you as witnesses. Forgive me. For those who might not know them as household names, Bradley Fried is the chair of the Court of Directors at the Bank of England, and Joanna Place is the chief operating officer.

Bradley Fried: Thank you for having us, Chair, and I also want to thank the National Audit Office for the work it has done. The question is about the state of central services. First, we welcome the National Audit Office's Report and accept all of its recommendations.

Chair: Yes, we know it is an agreed Report.

Bradley Fried: Part of the recommendations suggested areas for improvement in our central services, which we completely accept. Our central services are in a good and, in places, efficient and very effective space, and in places there is room for improvement. We have a widely complex business. We run policy areas and factory areas. Depending on the area, we benchmark well for effectiveness and efficiency, and in other areas there is clearly room for improvement.

Q2 Chair: You mention benchmarks. There is a useful comparison in figure 9 on page 26 of the Report, which highlights benchmarks against a group of public sector organisations and a group of central Government organisations. I think there was some discussion about how that was worked out, but it is those that are as similar to you as it is possible to find, particularly in central Government benchmarks. There are some quite stark differences there. One evident one was the human resources



HOUSE OF COMMONS

cost per full-time equivalent of staff. I hope that is not where you want it to be. Could you give us some more detail—this question might be for Ms Place—about how you are working to get that figure to come down and what your particular issues are there?

Joanna Place: The cost of our central services, when you look at it against the benchmark, is very high. If you look back a few years, we have invested significantly first in bringing the Prudential Regulation Authority into the Bank. That was a significant increase in staff and support that was needed. We went through a big exercise of harmonising the terms and conditions across the Bank, which, as you can imagine, was a big effort. Then we invested heavily in diversity and inclusion, in wellbeing and in our talent management. That explains where HR is now.

Q3 **Chair:** Are you saying that some of it is historical, particularly the harmonisation? Are you saying that some of these are historical costs?

Joanna Place: Yes. That is where we have come from. That is where we invested in. Diversity and inclusion, wellbeing and talent management are ongoing. Having said that, this was a very useful exercise. We looked at the benchmarks, and recruitment is the one that stands out. There are some reasons for our recruitment costs compared to those of central Government. We security vet people to a slightly different standard. We also share the costs of the recruitment of all our external policy committees. As you know, they are made by the Treasury, but we share the costs. Up until last year we had a rather clunky system that added to the costs. We changed the system last year. We reduced our recruitment costs by 9% and we have set a target to reduce it further next year.

Q4 **Chair:** Let me just be clear. Does this figure include all the policy committee appointments? They are slightly different roles from those of the people who are there nine to five, Monday to Friday.

Joanna Place: Correct.

Q5 **Chair:** Can you separate those for us? Is there a particular cost there? Presumably you use headhunters for those sorts of posts, but you are not doing that for most of the graduate level posts.

Joanna Place: Correct. We do not use head hunters for graduate recruits and so on, or for a number of our posts, but we do use agency fees for some posts. We have six different business areas and we have quite a different range of functions. We may use recruitment agencies for some of the really specialist roles, but typically we don't for the vast majority. Yes, for the Treasury appointments and our policy committees they use head hunters, and we have agreed to share 50% of those costs.

Q6 **Chair:** Okay, so these are benchmarks that you and the NAO have talked about and are in the Report. Do you benchmark each of those business areas against similar businesses, such as the printing at Debden or the sports centre at Roehampton? As you say, those are quite different elements of your central services. You have IT, policy people, and the day-to-day staff at different levels. Do you look at your comparisons with similar organisations for each part of your business, as well as for the



HOUSE OF COMMONS

whole, and how do you perform?

Joanna Place: I can speak for central services. The NAO Report showed that there were elements of benchmarking in each of our central services areas, but it recommended that we could be more systematic about that, and we have very much taken that recommendation on board.

Q7 **Chair:** You have taken it on board. Was it apparent to you before the NAO pointed it out?

Joanna Place: As the NAO noted, we have elements of benchmarking in each of our areas, and it said that we need to be more systematic about it. That was something that we were developing anyway. We have a plan now, led by our finance director, to look carefully at what benchmarks we should use. Is it elements of the public sector or the financial sector, or elements of other central banks or central Government? What is the best composite benchmark we can make? We will have those in place towards the middle of this year, and then it will be fed into our deliverables for the following years when setting ourselves targets.

Q8 **Chair:** You came into post 20 months ago—you are not quite at your two-year mark. Can you tell us in all honesty whether you have made the progress that you wanted to make when you first arrived in post, and if not—or even if you have—which have been the difficult areas to change, improve and get better value for money?

Joanna Place: Broadly the answer is yes. When I came into post I set out a plan regarding what our transformation should look like, and what areas we need to tackle. I think my predecessor had mended things that were broken, if I can describe it like that, and I wanted to do the next phase—the transformation programme and further improvement. We had a data centre migration programme already in place—that is a good example of where we have made a lot of progress, but we have prioritised it because we had a couple of network incidents last year, and it meant that the telephony needed for agile working was slightly paused. The telephony needed for agile working went in slightly later than expected, and that is one area where we could have gone faster.

Q9 **Chair:** But that was for an important reason: cyber-security.

Joanna Place: Exactly.

Q10 **Chair:** While we are on the subject of cyber-security, can we take a moment to probe how prepared you are? We know from what we have done that there is a big challenge across all sectors, private and public, and all areas, to get the right people in. How is the Bank ensuring that it is resilient enough and has the right talent and skills in place to protect all its areas of business, including your own through central services?

Joanna Place: Cyber-security is a really important part of our business. Given the work we do across the UK financial sector, we need to be resilient. We must recruit the right skills, and for the standards to which we hold ourselves to account we look at the NIST framework—the National

Institute of Standards and Technology—and we benchmark ourselves against that.

- Q11 **Chair:** So you recruit the right skills. Have you not had any gaps or problems in recruitment? Most organisations are finding it very hard to recruit the right people with the right skills in cyber.

Joanna Place: No, at the moment we don't have any gaps in cyber-security. I think what we offer is very important. We will offer flexible working where people want it—these are specialist people and they may want to work slightly different hours from others. We liaise closely with other organisations, including the National Cyber Security Centre. We find that the people we bring in to do cyber-security have a job that is interesting and worthwhile, and we empower them. That is a big plus for cyber-security. It is not just about money.

- Q12 **Chair:** Are you paying them more than they would get in other similar roles? It amazes me—you must have some secret formula because most people who sit in front of us do not have enough cyber-security experts and they are struggling to recruit, which is their big risk.

Joanna Place: A very important point is actually the work. These are people who are really interested in cyber-security, so working for a public sector organisation—the Bank of England—is a unique job. That is a big selling point for us in terms of how we recruit everybody, actually, not just cyber experts. Then there is what we allow them to do; they talk to the NCSC, and we work very closely with other national and international bodies in cyber, so there is a real purpose to their work. Do we pay them more? We benchmark all our salaries, so we will pay certain job families, if you like, in a different way from other job families. Do we pay them more than they could get in the outside world? I should think probably not, but I could probably say that for all employees at the Bank of England. But we benchmark fairly, and the work environment and the job interest really retain them.

- Q13 **Chair:** So really they come to you because you are the Bank of England—because of the brand, the name and the interest?

Joanna Place: Partly yes, and not just in cyber. But once they are here, we have to get the working environment right in terms of how we manage them, the opportunities we give them—

- Q14 **Chair:** So you currently have no vacancies in cyber at all?

Joanna Place: Offhand, I do not know whether we have any vacancies, but we do not have a problem with recruiting, and we do not have a problem with retention in cyber either.

- Q15 **Chair:** That is the most positive story we have heard from any public sector organisation in recent times on that, so I am quite interested in that. What other areas particularly worry you? Do you lie awake at night worrying about certain areas? You have a huge job here. You have set your vision. We can talk about that in a moment, but figure 5 lays out the “One Bank” strategy. You have many challenges, including with



HOUSE OF COMMONS

procurement and multiple IT systems—one of my colleagues is going to come on to some of those. Which ones worry you most in terms of how quickly you will be able to achieve them and what barriers may be in place?

Joanna Place: At a very high level, the Bank of England has set itself a spending cap and a headcount cap. In central services, my challenge is to deliver not only an efficient service but a cost-effective service to take cost out. We have two programmes at the moment that need to do that. One is our data centre migration. We are consolidating applications and then moving data centres. That is a big project. We are confident that we can do it—we have the governance around it and we have the external assurance—but it is a big project. We also have a service transformation programme in other parts of central services, which is about simplifying the service across procurement, HR and finance. Again, that is something that will simplify the service—it will be more effective—but also take cost out. They are the two programmes that I am really looking to prioritise, because they not only give a more effective service but take cost out of the business. In a flat-budget world, I need to make central services as cost-effective as possible. That is my challenge.

Q16 **Chair:** You have a broad vision, as you laid out there, but it is chicken and egg, really, isn't it? If you have your vision and you know which staff you need, and you then have to recruit them. Which comes first in your vision? How are you managing to adapt the staffing you have—my colleague is going to come to some of the complexities of that in a moment—to make sure you have the right staff to deliver the vision? You have the vision, you have the staff—as I say, it is a circular thing—so where are you starting?

Joanna Place: My vision is not completely different from where we have been before in central services; it is not as though I set a vision and thought, "I need quite different skills." Actually, I already had a lot of the skills. Obviously, we need to recruit other skills along the way for this transformation programme, and then there is training and communication, but it is not as if I started with a blank sheet of paper, without the right skills. I started with skills in HR, finance, IT and so on, and actually getting my leadership team and the people below them to understand the vision and to deliver it has been my challenge.

Chair: I will leave some of the more detailed HR points to Ms Morris, but first I will bring in Lee Rowley.

Q17 **Lee Rowley:** Just so I am clear, when we started this discussion by talking about figure 9 on page 26, you made a number of statements, which I think you said were part-explanations for that figure, including diversity, inclusion and wellbeing. Am I understanding that correctly? How would diversity, inclusion and wellbeing have any impact on your 33.6% higher spend on IT than other central Government organisations?

Joanna Place: Sorry, which figure are you are looking at?

Chair: Figure 9 on page 26.



HOUSE OF COMMONS

Joanna Place: That was not a technology point; that was in relation to a question about increased spend in HR. In terms of our diversity and inclusion teams, we invested in HR by putting in place a wellbeing strategy, further work on inclusion and lots of initiatives, such as supporting our staff network. It was in response to a question about HR cost, not IT costs.

Q18 **Lee Rowley:** Let's talk about the technology costs, then. Why is your ICT cost 33.6% higher than in other benchmarked central Government organisations?

Joanna Place: To understand our IT costs, I will say a little bit, if I may, about the work of the Bank of England—

Q19 **Lee Rowley:** If you could just answer the question, that would be fine.

Joanna Place: There is IT that we need to support, given that we regulate the financial system. The workflow and data needs of the regulators often have to be supported by bespoke systems. This is regulation, so we cannot buy those off the shelf. We also have certain IT needs in terms of data collection and in our other businesses. We own and operate the UK's settlement system; £600 billion a day goes through the Bank of England, and we cannot afford for it to go wrong. We have different types of IT needs from either the public sector or central Government. It is very important that it is resilient and that it works, because the UK public depend on it.

Q20 **Lee Rowley:** So your argument is that your IT is significantly more complex than in other Government Departments. Do you think that would stand up with other Government Departments in the room?

Joanna Place: I think our IT is different. It has to be absolutely resilient—we cannot afford for the settlement system to go down. Whether it is Starbucks payments or moving house or company invoices, things have to settle each day. It absolutely needs to be resilient. If you look at our availability benchmarks, they are higher than in central Government.

I do think that we have quite a complex architecture. Not including the critical national infrastructure of settlements, we have over 350 applications. We are reducing and rationalising that as part of our data centre migration programme.

Q21 **Lee Rowley:** Mr Fried, you commented that the systems in your central services were either "good" or "effective". How would you describe a 33.6% higher spend in ICT than other central Government Departments—as "good" or as "effective"?

Bradley Fried: I can't answer in a globular way, Mr Rowley, but I can disaggregate. For example, the Chair very correctly raises the question of availability of cyber-security experts. Security experts and cyber experts are available in the Bank and they are doing their job, but this is an expensive expertise. When it comes to cyber and when it comes to running our payment systems, we cannot afford an error. I am not entirely sure, from where I sit, that benchmarks against central Government for



HOUSE OF COMMONS

running banking payment systems are entirely appropriate. I realise that for a lot of the critical national infrastructure, we have taken out some of the costs—

- Q22 **Lee Rowley:** You were formerly at McKinsey, so tell me: what benchmarks should I use, if not central Government Departments? Either I can compare you against central Government or against other banks—which is appropriate?

Bradley Fried: I think that's right, and I think the answer is, "It depends." To be absolutely clear, if we disaggregate our business into the macro areas of monetary policy and financial stability, benchmarks against organisations that do forecasting and national statistics—the Treasury, for example—are very valid. In areas where we are running major banking systems, looking at credit companies for efficiency, banking payment systems would be far more valid benchmarks.

- Q23 **Lee Rowley:** So what do you think your ICT is like at the moment? What is your subjective analysis of it? If I can't use an objective benchmark—

Bradley Fried: On efficiency, on effectiveness, or on a combination?

Lee Rowley: A combination—in aggregate.

Bradley Fried: Okay. Is there room for improvement in the ICT? There is absolutely no doubt that there is, and I would like to expand upon that—

- Q24 **Lee Rowley:** I am not looking for a relative statement; I am looking for an absolute. Is it poor? Is it good?

Bradley Fried: The absolute statement is, "It is good, and there is room for significant efficiency improvements in areas." I am happy to disaggregate where I think those are and what we are doing about that.

- Q25 **Lee Rowley:** You would accept that there is a certain incongruity in that statement: "It is good, but there is a lot of opportunity for improvement."

Bradley Fried: I don't think I would accept that, Mr Rowley. When I speak of "good", I am talking about the predominance of effectiveness. But is there room for improvement in efficiency? Yes, there is.

- Q26 **Lee Rowley:** In my experience as a former IT consultant, larger spends in ICT are usually down to either lots of manual processors or legacy IT systems.

Bradley Fried: And we have both, Mr Rowley.

- Q27 **Lee Rowley:** So there is an over-preponderance of, and an overreliance on, manual processors.

Bradley Fried: There is.

- Q28 **Lee Rowley:** So how then can your ICT be good, if you have far too many manual processors?

Bradley Fried: It depends on the area. For example, in real-time gross settlement systems, we don't have that, and it is good. For example, when



HOUSE OF COMMONS

we look at the PRA coming into the Bank over the past 10 years, post crisis, there was so much integration of datasets and data systems, and so many applications, that we have duplication of many. It has been a long process to try to rid ourselves of that. The data centre migration project, which is a significant project, has simultaneously a cleansing of many of those systems and applications, such that we will hopefully move across only those that we end up needing, but we have both of what you just said.

- Q29 **Lee Rowley:** A final question. If you sent in one of your teams to look at operational resilience and operational efficiency, as you do to retail banks, what do you think they would rate your systems as?

Bradley Fried: I think they would rate us well on resilience and effectiveness and on whether we can deliver against our mandate. Against efficiency there would be significant room for improvements. Again, systemisation—automation of manual processes—would be something that they would quickly identify, and they would see our programmes in place for that over the next few years. That would be an early win for anyone coming in to see us.

- Q30 **Anne Marie Morris:** Ms Place, I am slightly puzzled. Why do you have 700 job titles?

Joanna Place: Perhaps I can explain. The job titles are descriptors—that is the easiest way of explaining them—because we allow people certain latitude with how they describe themselves. It is not 700 unique jobs. We have 11 grades in the Bank of England, but we have jobs within those. To give you an example, we have 18 executive directors. That is really one job title, but the HR director and the executive director for markets obviously have different job titles, so they are descriptors. We are doing a piece of work to cleanse that, though, because if the job titles are clearer it is clearer for us what roles and skills we have across the organisation.

- Q31 **Anne Marie Morris:** How are you going about simplifying this, because my concern would be that people would use it to game the system, to get more money—"I am actually doing a different job from this person because I am the X director, and in the market they are paid more than the Y director."

Joanna Place: They cannot do that. We can cleanse it and simplify it, and I totally accept that. They could not do it to play the system because we benchmark all our salaries, and they are all within a certain grade and within a job family, for want of a better description. That is just what they put on their business card and how they describe themselves, rather than something that links to their pay. It does not link to their pay.

- Q32 **Anne Marie Morris:** That does not quite fit with some of the stuff that is in the Report, because it looks as though you have two completely separate systems—

Bradley Fried: Chair, do you mind if I say something on this?

Chair: Let Ms Morris ask the question first.



HOUSE OF COMMONS

Anne Marie Morris: For increasing people's pay you have a competitive version and a non-competitive version. It seems to me that within the Bank if somebody wants some more money they just go to the boss and say, "I need some more money or I'm going." What can you say to that, by way of comfort?

Bradley Fried: Let me be absolutely definitive: that cannot happen. I will invite Ms Place to explain exactly why it cannot happen, but can I disaggregate this into two things? The first is how people are paid more. They are paid more by being promoted to another band. We have 11 bands in total, and we then have a Deputy Governor and a Governor band. When we think about compensation and remuneration, we think about it, in our remuneration committee and across the Bank, in those bands.

Where the National Audit Office made an extremely powerful point, which we accept, is that the 700 titles, although they do not play into promotions—and indeed do not play into compensation or remuneration—clog the system and prevent us from being as efficient as we could be. I would like to be explicit about what the board has been told, what we are expecting and what I know Ms Place is working towards. We expect there to be a new HR system, which will be designed around the organisational structure, as opposed to the individuals. That will allow us to cleanse the number of roles, so we are actually changing the sort.

Once we have done that, we can have a roles framework, and we can map the roles on to the organisation, rather than the other way around. We can have the right permissions in place, and we can support benchmarking for reward purposes. Right now, I assure the Committee that the presence of these roles does not change the remuneration structure of the Bank.

Q33 **Anne Marie Morris:** Despite that wonderful ambition, you seem to have in-role promotions, so at the moment your system is really bizarre.

Joanna Place: Could I perhaps explain what the in-role promotion is and why we have it? We had an external review post-crisis in 2012, which concluded that we should consider allowing technical experts and specialists to stay in their roles for longer, rather than incentivising them to move to something completely new to get a promotion. If you had a real specialist, whether they were a macroeconomist or a risk specialist, could they grow their job to be the leading expert—the world expert—and should you be able to promote them in-role? We took that recommendation and looked at a process for what we called in-role promotions. But let me assure you, they cannot just decide they want it and nor can their manager; there is a process to the promotion. The manager has to nominate a person, set against a number of different criteria. The nomination then goes to the HR team to be considered, and then to a panel interview made up of HR and the business, which decides whether that person will get through and be promoted to the new grade. That is all overseen by what we call the directors' talent group, which is a group of directors across the Bank. To give you an idea of numbers, last year 63 people were nominated for an in-role promotion, 51 got through the HR filter and 47 were successful. The NAO raises a good point about



HOUSE OF COMMONS

whether we still need in-role promotions—as I say, it was based on an external review some years ago—and whether the number feels right for what the business needs. At the moment 47 staff is just over 1% of staff.

- Q34 **Anne Marie Morris:** That still sounds to me very high, and the cost of administering those many different job titles is phenomenal. Give me some comfort about the new system you are putting in: what will it look like? How many job titles are you aiming to land up with?

Joanna Place: This is part of our One Bank service transformation, so it is rationalising legacy systems. In response to Mr Rowley's question, there are about 25 systems that will be an integrated system. It will allow us to look at a roles-based organisation. We will not let people just choose what job title they want. The roles base will be much clearer. You need to identify—

- Q35 **Anne Marie Morris:** How many will there be?

Joanna Place: How many roles? I can't say at the moment, because we have not done the exercise.

- Q36 **Chair:** You are transforming, but you have not done the exercise on what roles you want? I am a bit puzzled.

Joanna Place: That is part of the target operating model work that we are doing, which will be in place by April this year. We want to look at what roles we need, across the business and not just in central services, and therefore what system we need to put in place for central services. For example, you might have just three levels of economist: junior economist, senior economist and then manager of economists—that is an example; I am not trying to presuppose what the roles-based organisation would look like. Understanding what roles we want in the Bank, and therefore understanding what central services we need to support that, is an essential piece of work. That is part of our One Bank service transformation.

- Q37 **Chair:** Just to be clear, going back to the point about moving jobs to get promotion, it has been a civil service problem for many years that you have to change jobs in order to go up. We and others have been saying to the civil service, "You need more specialist roles." I am slightly alarmed that you have a similar system in the Bank of England, where clearly your whole *raison d'être* is specialist roles, because you are in a very niche area. What you are saying is that people were moving from quite specialist roles to roles they did not have the skills in—maybe I am paraphrasing—in order to move up. Has that now stopped?

Joanna Place: No, it has not stopped, but we need a balance between people who have moved around and built up expertise in central banking, and some specialists as well. Obviously we do not want everybody to move around every three years, but neither do we want everybody to stay in role for 20 years. They will be super-specialists, but they will not have the breadth of knowledge needed for the rest of the organisation. The idea of in-role promotions was that it gave a balance. Some people moved around and built up new skills that they could then attach to their old skills



HOUSE OF COMMONS

and become even better over time, but some people stayed in role and became real specialists. That is what the in-role promotion is for.

Q38 **Chair:** What is the turnover of staff in central services?

Joanna Place: Across the Bank?

Q39 **Chair:** Across the Bank and in central services, if you have both those figures to hand.

Joanna Place: It is just under 8% across the Bank and in central services it is slightly higher than that

Q40 **Anne Marie Morris:** I am still not persuaded. When you have worked out what the roles are and you have this wonderful system, how will people be promoted? Will it just be one system, or will you still have two or three systems?

Joanna Place: People can only be promoted by moving to the next grade. If somebody is in a particular role now, they cannot be promoted unless they go and get a new grade. They can do that by responding to a job advert, which typically most people do, or by going through this in-role promotion. There is another way, which is where the NAO pointed out the complexity. If people restructure an area and we take on new responsibilities—we don't need those skills anymore and we need something slightly different—the manager cannot just decide which grade those jobs are going to be. They have to go through a job evaluation, which was mentioned in the NAO Report as well.

Q41 **Anne Marie Morris:** How do you manage the cost of this? You've capped your budgets—rightly so—but if you're allowing people to reorganise their particular team and there is the opportunity of more money, how on earth will you manage this?

Joanna Place: There is not necessarily the opportunity for more money. We had 47 people get through the in-role promotion this year. We have 47 people who are now deeper in their specialism, which is quite important for the Bank of England. The cost of the process is perhaps worth it to get those 47 increased specialisms. We do not just allow people to reorganise and do job evaluations come what may, but we have taken on a lot of additional responsibilities since the financial crisis, as the Report mentioned. When you take on additional responsibilities and have a flat budget, you need to think, "How are we going to organise ourselves not to do that anymore, but to do this?" If you are creating a new role, we do not just leave it to the manager to decide what rank it will be and how they are paid; it has to go through an HR process.

Q42 **Anne Marie Morris:** It still sounds to me to be incredibly complicated. In the legal profession there are four or five levels, and that's it—once you're a partner, you're a partner. I dare say that parliamentarians all get paid the same whether we have been here 50 years or two. Can you really carry on justifying all the increments at the Bank of England?



HOUSE OF COMMONS

Bradley Fried: Ms Morris, I know we have spoken a lot about in-role promotion, but I would like to link something that you asked to something that the Chair observed on the question of analytic depth and specialism. Following the 2012 external review, the in-role promotion category was introduced in the Bank because the reviewer was concerned that we would not have sufficient depth of knowledge to enable our staff to challenge external MPC members. That was the specific concern, which resonated for the Court of Directors and the executive team. We are keen not to stop an in-role promotion, so that we can keep people in situ. As they develop specialism and global expertise, we should recognise that. We would like to recognise that, which we have done so far.

- Q43 **Anne Marie Morris:** Can I just give you this challenge? It sounds to me that you are creating roles for the talent you have rather than saying, "These are the roles that we need, and therefore these are the roles on offer. If you're slightly overqualified, that is none the less the role. That is what you are going to get paid."

Joanna Place: That is why we are doing this exercise. What roles do we need? Having said that, I think we will still need people who become world experts in something. The question for us is: do we reward them for that, or do we say, "Actually, it's not the rules. You've got too many"?

- Q44 **Chair:** Sorry, what Ms Morris is driving at is that you are relying a lot on the talent that you've got in going up. How much lateral entry do you have in these specialist positions? Do you have any figures on that?

Joanna Place: I have got figures—for example, last year we recruited 600 people overall in the Bank. I don't have specific figures on specialist roles.

- Q45 **Chair:** For instance, your Governor is obviously not a British national. There was an international competition for him. Is there international competition between central banks?

Joanna Place: We have 80 different nationalities at the Bank of England.

- Q46 **Chair:** You have 80 different nationalities, which does not necessarily mean that they have come from other central banks.

Bradley Fried: We advertise the roles.

Chair: Ms Morris, do you want to press your point again? I think that rather speaks to what Ms Morris was saying about your promoting what you've got. I can understand some of what you're saying.

- Q47 **Anne Marie Morris:** You rely a lot on the new ones who you want to bring in, because ultimately any business needs new talent.

Joanna Place: Absolutely. We brought 600 people in last year—we bring a lot of external people in. Obviously we bring our new graduates in. We bring in—mid-career—risk specialists, cyber people and economists from outside. They are not just from other central banks in other countries—although some of them might be—but from the financial sector. We've got



HOUSE OF COMMONS

such a broad base of business; it's not just economists. We run a custody operation and two factory-type operations.

- Q48 **Anne Marie Morris:** But if you were in the private sector and you were making profit, you would be asking yourselves, "Am I making this organisation more profitable?" We are in the public sector and that is not the question. The question is, "Do I have the skill set I need to deliver the tasks that I have been set?" It is a completely different start point and I get the feeling that you have fiddled about with all sorts of very clever people, who may be almost overqualified. Do you ever cap individuals and say, "Sorry, no more promotion"?

Bradley Fried: No. It doesn't feel so. It is not the feeling, Ms Morris, that we are filled with people who are overqualified for the roles that they do. People are tremendously stretched and we measure that well, in terms of our staff surveys, in terms of getting feedback and getting deep risk dives into specific areas for our ordinary risk committees, externally. It doesn't feel that way at all.

- Q49 **Anne Marie Morris:** When are you going to have this new structure ready?

Joanna Place: It will be the middle of this year. We are looking at the roles-base and what roles we need across the organisation.

- Q50 **Anne Marie Morris:** Right. When you have done that, I think it would be really helpful if you could supply this Committee with what that new structure looks like and what thereafter is your purpose in terms of onward recruitment. Given that you are public sector, we need to sure that this is about doing the job that is needed and not just creating jobs that match the skills of the people you have got. When you have done that analysis, will you be prepared to ask some people to leave, because they are frankly overqualified and too expensive?

- Q51 **Chair:** Or do you think it should be about roles?

Joanna Place: In the Bank of England, will we ask people to leave? We have changed our responsibilities over time and sometimes people's roles are no longer there and they have to leave. We handle it very carefully, but yes, people are made redundant.

- Q52 **Anne Marie Morris:** How many people did you make redundant this year?

Joanna Place: I haven't got the figures off the top of my head. I am very happy to send them to you.

- Q53 **Chair:** Do you envisage that once you have the new role-structure that you are working on out, by the summer, that will include some compulsory redundancies or retraining because there will not be jobs for everybody in the organisation?

Joanna Place: I would expect there will certainly be retraining and redeployment. I am not going to rule out compulsory redundancies but I wouldn't rule them in at this stage.



HOUSE OF COMMONS

- Q54 **Chair:** I appreciate that you wouldn't want to frighten all your staff overnight, but I think what Ms Morris is driving at is whether you are hard-nosed enough as an organisation to say, "Well actually, we don't need that skill anymore; even with a lot of retraining that person is not going to be the person that fits into the role, because they just don't have the skills."

Joanna Place: I can certainly write to you with figures about how many people were made redundant in the Bank last year, but we redeploy if we can. We take that very seriously and try to handle it very carefully. We have a union and we work very closely with them.

- Q55 **Chair:** Do you use any outside contractors to do any of the work in the Bank?

Joanna Place: Yes, I do.

- Q56 **Chair:** Can you give us some description of that and why you use them and not in-house staff?

Joanna Place: We use contractors when we either haven't got the skills in-house or when we need to do something very quickly, and we don't have enough people to do it. Those are typically the reasons why we use contractors.

- Q57 **Chair:** So the skills bit is quite interesting, given Ms Morris's line of questioning. If you don't have the skills, are those temporary contractors? In the long-term, are you planning to recruit your own staff to do those roles?

Joanna Place: Correct.

- Q58 **Chair:** Is it just a temporary sub-contract?

Joanna Place: Absolutely. Contractors would be for temporary things. If we needed the skills long-term, we would recruit for them ourselves, and, of course, we train people as well.

- Q59 **Anne Marie Morris:** I am still a bit dubious. Can I ask that when you submit your new shape, if you like, you demonstrate how you are going to measure the effectiveness of the changes you make? You said earlier that diversity was one of the reasons that your costs had gone up. Looking at your annual accounts, you are not doing very well. It seems to be an ambition that by 2020 you will have got your female representation at senior management level up to 35%—you are currently at 29%. Worse, with BAME representation at senior management level you have a target of 13% by 2022, and actually in 2018 you are at 5%, just as you were in 2015. How efficient, cost-effective and worth it was your investment in diversity?

Joanna Place: On diversity, if I take females, for example, we are now at 32%, so it is still a stretching target for us, but to set this in context, in 2013 we were at 17%. That is why we invested in diversity, because 17% of senior managers as women was far too low. Now, you and I might think 32% is too low as well. We have set ourselves what we thought was a



HOUSE OF COMMONS

realistic target at 35%; obviously, we would want to go further. In terms of diversity and inclusion, we have done a lot more than just gender and ethnicity. We have a number of staff networks. We have inclusive events. We have a wellbeing policy. We have done a cognitive diversity survey. We have started to look at social mobility. We have done a wide range of activities, not just gender and ethnicity targets.

- Q60 **Anne Marie Morris:** That sounds great, and it is the right thing to do, but have you measured its effectiveness, because at the moment it is not delivering you more people who are more diverse?

Joanna Place: If you look at our staff survey we have very positive responses to things like “I feel respected as an individual”, “The Bank takes diversity seriously” and “My manager encourages me to take responsibility”. In terms of inclusion metrics, I think we have made quite a lot of progress. We have won external awards for wellbeing, and for diversity and inclusion. I think if our attrition rate was sky high we probably would not think we were doing that well in terms of inclusion, but as I have mentioned our attrition rate is below 8%.

- Q61 **Anne Marie Morris:** In this report it says that 38% of those leaving the Bank in 2018 were BAME.¹

Joanna Place: Is this in the NAO Report?

- Q62 **Anne Marie Morris:** No, this is in your annual accounts. That was in the section “Our people” of the Bank of England annual report and accounts 2017-18.

Joanna Place: That is right—that was the report a year ago. I do not have the up-to-date figure of how many BAME people have left the Bank, but I can get you that.

Anne Marie Morris: Okay. I think you ought to.

- Q63 **Chair:** It seems quite high compared with other leavers. Is it something that is a matter of concern to you?

Joanna Place: Yes, we have looked very closely at BAME colleagues—how many we recruit, how many we promote and how many leave. We have a piece of work at the moment. Mr Fried, as chair of Court, has asked for a piece of work on this exact topic to come to Court in February.

Chair: It is coming to Court—

Bradley Fried: It is coming to Court this February—so next month.

Chair: Okay, so we cannot really ask you about it now, but we will put a marker down on those figures.

- Q64 **Anne Marie Morris:** Mr Fried, on your procurement policy, there is an awful lot of non-compliance that you do not seem to be doing anything about. Is that unfair?

¹ The Bank of England’s annual report puts the figure at 23%.



Bradley Fried: It is certainly not an unfair question, and I would like to give you the context for the answer. It could seem that we do not subscribe to the idea that there should be consequences for non-compliance. That is absolutely not the case. Can I give you the context for the answer? I assure you up front that there are consequences for non-compliance. The instances of non-compliance that were cited by the National Audit Office in its Report were brought to the attention of the NAO through an internal audit report that we did in June 2018. That followed a very substantial piece of work that Ms Place was managing since May 2017 on procurement, which recognised the fact that the procurement systems were not really fit for purpose.

The question then becomes why we did not punish individuals, and hold them to account for procurement violations for purchases above £25,000. The answer, candidly, is that the policy was not clear enough, it was not fit for purpose, and it was ambiguous. Management judged, and internal audit agreed—indeed, so did I—that the best way to fix that problem was to improve the policies, to get the process and controls supporting those policies absolutely right, to make sure that they were implemented as quickly as possible, and to redouble our efforts to get them done. We had always planned on having them in place for March of this year. They will be in place for March, but we took some very strong steps immediately following the NAO's Report. Those steps were threefold—let me just tell you what they were.

The first was that at our Court meeting in December we reiterated the fact that we will not accept non-compliance with the Bank policy. We will not accept it. That was made very clear. The Governor made it quite clear to all that breaches of compliance policies would have a consequence, and those would be proportionate and escalate depending on the nature of the breach.

Q65 **Anne Marie Morris:** What would those consequences be?

Bradley Fried: I will give you an example. If it was a simple, innocent breach—an act of omission—where somebody recognised what had happened, fessed up to that, self-reported and figured out that what they had done was wrong, that could include a very strong discussion between them, their manager and compliance and a note on the file. If we felt it was an act of commission or it was an act that we would not have expected from such a person, it could lead to a first or second warning. If it was an egregious act or a pattern of non-compliance, it might lead to dismissal. But I should say also that the code of the bank says that it is not a “one strike and you’re out” culture; it is a place where, if you identify the error, you seek redress and it is an honest error, we will deal with it, train you, have the discussion and move on. But to the extent that it is egregious—

Q66 **Anne Marie Morris:** With respect, it sounds like you can get away with it. If you just fess up once you have done it, you get forgiven.



HOUSE OF COMMONS

Bradley Fried: No, there is none of that. I would not conflate what I have said in the context of an escalation policy on HR and breaches of compliance with a blanket “you get forgiven if you fess up” policy. That is certainly not the case. In this instance, we brought forward one aspect of our compliance policy, which is to eliminate all ambiguity in the system. The policy, as of I think about a week ago, is that you must consult with procurement for any purchase over £25,000. There is no ambiguity there, and as of this moment there is a consequence for non-compliance.

Q67 **Anne Marie Morris:** How are you going to police it? It is fine if they tell you, but how are you going to find out?

Bradley Fried: Very practically, actually. There is a very practical system for policing this. You can imagine that we have been occupied by this. The system works as follows. From a payment perspective—it is all going to start at the point of payment—when a supplier submits an invoice, that invoice has to be married up to a purchase order. If the purchase order is not recognised by procurement, it is not going to be approved for payment. If it has been submitted and process has not been followed, even if it will be paid because the service has been delivered—clearly, the supplier cannot be prejudiced—it will immediately trigger a breach in the bank’s very straightforward incident management register. That register is reported twice: it is reported through to the risk committee, which is an independent committee of the bank with independent directors, and it is reported through to the executive risk committee, which is a team of executives. The consequence will be followed up. There is no getting away from it now, Ms Morris—none.

Q68 **Anne Marie Morris:** What is the worst thing you have ever done to somebody who has procured in breach?

Bradley Fried: As I have said to you, the policy was not fit for purpose. The question is, what could be done to a person who procures with egregious disregard for our policy or egregious repetitive behaviour? They will be dismissed, Ms Morris.

Q69 **Anne Marie Morris:** I understand, and that would certainly be a necessary first step, but what about a financial consequence? Should their department get its budget reduced by that amount, or something, to make it stick?

Bradley Fried: Actually, that is a very good point. I omitted to tell you that there is another piece to the escalation—the discussion, training, first warning, second warning and so on. Depending on the severity of the breach, there could be another point, following the discussion point, that deals with the question, “What is the impact on your performance review and on your reward?”

Q70 **Anne Marie Morris:** But also on the department. You will not make the manager responsible, so he will just, if you like, fall into line. But if he might lose part of his budget—the equivalent of what was overspent on an unapproved basis—that would make it stick.



HOUSE OF COMMONS

Bradley Fried: Certainly a manager who has not taken the time to socialise his or her staff on the right kind of behaviour would have a consequence as well. We will not look at that disciplinary in a vacuum.

- Q71 **Anne Marie Morris:** I have one final question, which is about culture. All your answers with regard to both personnel and procurement say to me that you have a huge cultural change project to achieve both those things. What have you done, and what will you do, to change the culture? That is the hardest thing to change.

Bradley Fried: You are absolutely right that it is the hardest thing to change. Cultures take root. When it comes to costs—I have to observe that we have not discussed this much in this hearing—two very important factors were introduced by the Governors in early 2017 and accepted very rapidly by Court, and they have been emphasised over and over again. We are holding our controllable cost budget to a fixed '16-'17 number for the foreseeable future. That is self-imposed, and we have a self-imposed headcount cap for controllable areas of 4,281 full-time equivalents. Those are self-imposed headcounts. What that implies, in order to get their teeth, is that we have a very complex fast-moving environment. I know it is the topic of the day, but you can imagine what our institution has gone through to ready the United Kingdom's financial system for Brexit. You can imagine what we have gone through to make sure that our post-Brexit regulatory environment allows for stability, and that people in your constituencies, and their businesses in your constituencies up and down this nation, are ready for life, whatever the nature of exit is. My point is that we deal with that complexity and because of that the culture is rapidly changing. If you want to do something different—for example dealing with simple annual salary increases—you have to figure out how to cut costs, because if you don't, you cannot stay within those budgets. That is a very important cultural change, Ms Morris.

- Q72 **Anne Marie Morris:** Yes it is, but it is not changing culture overall to a very different approach, which is recognising that you are public sector, not private sector. The mindset, I suspect, of some of your employees is much more private sector.

Bradley Fried: If I might, I have to observe to you as well that there is a board of directors—the Court of Directors. That board comprises six executives—in fact, five, and Ms Place attends—and seven non-executive directors. Each of those non-executive directors has been either a CEO of a very significant enterprise, not in the public sector—in one case yes, in a trade union—or the chair of a private sector FTSE company, or both. We are not attuned to anything but efficiency and effectiveness. Mr Rowley's points, for example, really do resonate, because they are what we think about all the time, in thinking about the growth of the institution. So I have to say to you, from a governance perspective, that your comment is very apropos. It is very alive and it grips us all the time.

Joanna Place: In terms of whether we have the mindset of a private sector or a public sector body, obviously we have to have some commercial rigour to what we do, but we recruit people very much on, "Do



HOUSE OF COMMONS

you want to come to the Bank of England to make a contribution?" That is the first thing we talk about when we recruit people. It is about public sector contribution. We can then talk about the career, the investment in L and D, the work environment and the actual pay. I joined the Bank of England many years ago, and it was really because of the public sector contribution.

Q73 **Chair:** Can I just ask what your pension scheme is? Is it a civil service pension scheme?

Joanna Place: It isn't related to the civil service.

Q74 **Chair:** It's a separate and individual pension scheme.

Joanna Place: Yes, it is.

Q75 **Chair:** Fully funded?

Joanna Place: Yes.

Q76 **Chair:** What percentage contribution do people make?

Joanna Place: For new recruits, it is one 95th, so just over 1%.

Q77 **Chair:** And for longer-standing members?

Joanna Place: We have three accrual rates. We did a big pensions adjustment about three or four years ago and got rid of that final salary scheme, so the people who were on the final salary scheme moved to one 50th. We have a career average still, which is the legacy one 65th, and for all new recruits it is one 95th.

Chair: So quite a radical change, then.

Q78 **Anne Marie Morris:** I have a very small, quick question. Mr Fried, non-execs are only as good as their diverse mindsets to challenge group-think. How many are women, and how many are outside the financial services sector?

Bradley Fried: I am so pleased you asked me that question. I will give you a quick canter through. I have a background in financial services, at McKinsey, as Mr Rowley referred to earlier, where I was a partner in the banking practice, and I also ran a bank. Then we have the deputy chair, Dido Harding—Baroness Harding—who was at TalkTalk and is now in the Lords and deals with the national health. Our senior independent director is Dorothy Thompson. Dorothy was chief executive officer of Drax and is now chair of Tullow Oil, so completely outside financial services. Don Robert is currently on the board. Don was the chief executive and then the chair of Experian and, now—but not for the moment—he will be joining the London stock exchange as the chair and stepping down from the board. We have Dave Prentis, who is the general secretary of Unison. He has people experience, and not in financial services.

Two newer members are Diana Noble, who was at CDC, a private equity business, and Anne Glover, who worked in industry widely and founded a



HOUSE OF COMMONS

venture capital firm that she ran for a while. So you can see, Ms Morris, why I am so happy—

- Q79 **Anne Marie Morris:** I can see you are very happy about the number of ladies. I wish you could reflect that further down the organisation. It is still quite heavy, in terms of City.

Bradley Fried: Certainly the TalkTalk businesses that Dido Harding was involved in, or Tullow Oil and so on, might be City-based, in that they are certainly capital market-based, but I can tell you about the work that is done in them, and the scar tissue that our directors get trying to deal with data breaches, health and safety issues, and budgeting issues, and in trying, as Mr Rowley would recognise, to introduce software as a service and move toward the cloud. There is the issue of dealing with transitional issues around how to get to a data centre. It needs to be a physical data centre for five to eight years, and then where do we go to from there as cloud technology becomes even more profound? We rely heavily on these folks. They might be City capital market-based, but they have certainly got a lot of scar tissue and operational experience outside the City.

Anne Marie Morris: I am pleased to hear it. I hope they will get some more.

- Q80 **Chair:** The diversity is a snapshot in time. Our relationship is not a snapshot in time. Now that you have set that benchmark, we shall keep an eye on it.

Bradley Fried: I would be happy to help with that benchmark.

- Q81 **Chris Evans:** I have a quick question on non-compliance. As well as being a central bank, you also regulate the Prudential Regulation Authority. Are you concerned that these instances of non-compliance within the central bank will affect the reputation and confidence that high street banks and others whom you regulate will have in the authority?

Bradley Fried: That is a critical question. It is spot on and highly topical. I will respond because we have thought about this. It is a great issue.

- Q82 **Chair:** It is very nice that you are so polite to Mr Evans. He is used to people just answering the questions.

Bradley Fried: I have tried to put myself in the time when this issue surfaced. I will take the procurement one that Ms Morris asked me about. At that time, trying to put myself back in the situation of running a bank, I'd think, "What would it be like when I called the regulator and what would it feel like when the regulator came over?" I have to differentiate two situations. One is a situation—I was in both—where you call the regulator and say, "This has happened. We have figured it out; we are on it. Our internal audit team have scoped it and figured it. They have got a grip. We have a senior manager"—as in the case of Ms Place at the moment—"who is all over it, and the board is all over it. There are timelines and we have an expectation to deliver. There will be a consequence to not delivering, and we have a plan to deliver."



HOUSE OF COMMONS

In other situations, the regulator comes in for their own visits and figures something out that your management team have not figured out, but should have. This issue falls squarely into the former situation, because for two years we have been on this issue.

- Q83 **Chris Evans:** The question that my colleague, Ms Morris, was getting at was whether there will be consequences. If I was running a high street bank or if I was in your position when you were running Investec a couple of years ago, I would be extremely concerned that it seems the Bank has got away with it scot-free. What message are you sending to the wider financial services community?

Bradley Fried: The answer is that, going forward, candidly, there will be consequences. I could not be more clear about it. The board could not be more clear about it. It is not okay. It is not going to happen. It is simply not acceptable, Mr Evans.

- Q84 **Chris Evans:** Moving on, Ms Place, there has been a lot of press attention about your 800 unoccupied desks in Threadneedle Street. What is your definition of flexible office working space?

Joanna Place: So, in terms of our data, they were our own data that we shared with the NAO. As you know, the desks belong to people, but they might have been on an offsite visit or on leave or working from home. When we talk about flexible working at the Bank, there are two ways to look at it. One is flexible as in people can work remotely if they so choose, depending on business needs, but then there is also a sort of next phase around flexible working. We have introduced this in the Bank. It is what we call agile working: not necessarily having the same desk every day, but being able to have a desk and the telephony associated with it, so that anybody can work at that desk. It is adjustable, so that anybody can work at that desk. We have moved to that sort of flexible working in a number of areas in our Moorgate office and in our Threadneedle Street office, because the 800 desks showed us that there was an opportunity to use our space a bit more efficiently.

- Q85 **Chris Evans:** So why did you buy 260 additional desks in 2017-18 if you see those 800 as a resource?

Joanna Place: We put in more desks for two reasons. The first is that the desks were coming to the end of their life. Also, and importantly for us, we wanted to put in agile desks so that anybody—tall, short and sometimes people with disabilities—could work at them. Anybody could work at these desks because they are adjustable. In the agile collaborative environment programme—the ACE programme, as we called it—we had to put in place telephony, so that you could pull up at any desk, plug in your phone and get the right number. Anybody could work at those agile desks. The programme slightly increased the density of desks and readied the Bank for agile working.

- Q86 **Chris Evans:** Forgive me, Ms Place. I know the Chair does not like me going into anecdotes, but 20 years ago I worked for a major bank and this was common practice. Why has it taken so long for the Bank of



HOUSE OF COMMONS

England to adopt agile desks?

Joanna Place: It is very difficult to answer that question, because obviously I have been the COO for only 18 months. We did not have flexible working or working from home 20 years ago. We did not have the technology that allowed for it. You need two things to do flexible working: you need to have the policies in place, so that it is clear how people can work from home, and you also need the technology to support it. I should say as well that our flexible working is demand-led. Now that we have those policies in place, the demand for it and the technology, we can do it.

Q87 **Chris Evans:** I disagree with that. Twenty years ago, I worked from home quite effectively. What I am driving at is: where does this culture come from? Only now are you adopting practices that have been well known in the banking system for years.

Joanna Place: As I have said, we now have the technology to do this. We adopted flexible working about 10 years ago. We rolled out people being able to work from home or remotely if they chose to. We did not at that time move to what we call agile working as regards desk sharing. As you know, we took on the Prudential Regulation Authority some years ago. The important thing was to get those people in the building and to be able to accommodate them. They are primarily in our Moorgate building, where there is desk sharing—there is a ratio of 0.9 to 1 across the building. You are right to say that we didn't do it 20 years ago, but we are moving there now.

Q88 **Chair:** I don't think 0.9 to 1 sounds like flexi-working—desk flexibility, perhaps.

Joanna Place: I think there is a question about whether we could get to a better ratio. The Court has already committed to get to 0.85 to 1 when the next phase of the ACE programme has completed by February 2020. There is a question about whether we could go even further than that on flexible working. That is part of our longer-term property strategy and has not yet been addressed.

Q89 **Chris Evans:** Why didn't you factor in financial savings when you designed these new flexible working spaces?

Joanna Place: In fact we did factor in financial savings. We looked at this. At that point, we had a number of additional responsibilities and wanted to ensure that we wouldn't need any more office space. The main thing is that the financial savings will come further down the line in our property strategy. The first phase of this refurbishment was readying the Bank for agile working.

Q90 **Chris Evans:** How do you envisage these savings coming further down the line? You just said that they will come further down the line, and that you are preparing yourselves for flexible working. Could you expand on what you just said about how that will work?

Joanna Place: That depends on our longer-term property strategy. Obviously there are some sensitivities in the strategy. It is something that



HOUSE OF COMMONS

we shared with the NAO. Given the commercial sensitivities involved, I shall write to the Committee about that, if I may.

- Q91 **Chair:** Take as an example the National Audit Office. A decade ago, it occupied a nice, big building on Buckingham Palace Road. It still occupies that building, but only half of it; the rest has been let to tenants. You have tenants, I think. Roehampton is perhaps a bit of a red herring, because it is a completely different service. If you are making it easier for staff to work peripatetically at home, will there be any thought of renting out aspects of Threadneedle Street? Will we see a Wetherspoon's in Threadneedle Street, or perhaps something a bit more serious than that?

Joanna Place: I am not sure we would go as far as a Wetherspoon's; I don't want to raise anybody's expectations. Yes, of course, that is something that we would think about in terms of the property strategy, but we need to discuss all the options in the round. We wouldn't rule it out.

- Q92 **Chair:** Probably even a decade ago, people would have been worried about the security aspects of having other people on site in sensitive areas. Is that a concern for you, particularly in the older buildings—in Threadneedle Street?

Bradley Fried: Threadneedle Street is a little bit unique, in that we are literally sitting on top of £140 billion-worth of actual physical gold.

- Q93 **Chair:** And you own the freehold of the whole site?

Bradley Fried: We own the freehold of that site. To be absolutely clear, on No.1 and No.2 Lothbury, to which you refer as being tenanted, we have sold a 125-year lease on that building. We did that, I think, in the early 2000s. We got about £28 million for it and we now get a ground rent on that building. So that's free of all obligations. It's simply a ground rent that is in place for the next 125 years—

Chair: At the moment, from what you are saying, you are ruling out—

Bradley Fried: We are talking about two buildings.

- Q94 **Chair:** But you are ruling out the sale of the leasehold, then. I am thinking that that would be a long lease over the gold.

Bradley Fried: Exactly. So far as Threadneedle Street is concerned, I think I could safely say that sub-letting that is not going to be a practical option or a safe thing to do.

We have two buildings: we have Threadneedle Street and we have Moorgate, across the road, where we have the PRA. But I would say to you, Ms Hillier, that your observations around how to think flexibly and around real estate are very live for us—commercially sensitive, but very live.

- Q95 **Chris Evans:** According to the Report, increasing occupancy levels is based on the roll-out of technology, which you say will come about in February 2020. Are you confident that that is going to be delivered by



HOUSE OF COMMONS

February 2020?

Joanna Place: Yes.

Q96 **Chris Evans:** Very confident?

Joanna Place: Yes.

Q97 **Chris Evans:** Okay. So how are you going to increase occupancy in Threadneedle Street in the next couple of years, then? I notice in the Report that you say you hope to do that—

Joanna Place: You mean post-February 2020? Well, I think that's what we've got to consider, whether we want to move further in our property strategy. As Mr Fried says, I don't think we're going to sub-let floors of Threadneedle Street, given the security. If we were going to sub-let anything, it would be by moving people into Moorgate and sub-letting floors in that, but it is too early to commit to that now.

Q98 **Chris Evans:** Why can't you start increasing the occupancy straight away?

Bradley Fried: There is a very practical reason, actually, and that practical reason is that there is a shortage of bathroom facilities. Sadly, there is also an abundance of asbestos that needs to be dealt with; we need to deal with asbestos. Very practical things—heating, air coolant and wiring—because we cannot install the technology in a grade 1 listed building without thinking very carefully about this.

What we're thinking of doing is decanting people from Threadneedle Street into Moorgate, which is literally across the road; it is space that we are already renting. We would be renovating the building, readying it for flexible working, and then figuring out how many people we can move back in.

Q99 **Chris Evans:** As soon as someone mentions asbestos, I know the costs associated with that. Have you done any survey of how much asbestos is in the building and how much that is going to cost?

Bradley Fried: Yes. We have been removing asbestos in the building. It's one of our distinctive abilities, actually, Mr Evans—removing asbestos.

Chair: Come and run this place.

Bradley Fried: We could come round here perhaps. We have done it for years and years, so it's a programme that is not going to blow our budget, and it's well within the budget.

Q100 **Chris Evans:** My last question for now, before I come back, is this: you have 44 desks, just in case anything happens and you need some extra space. Where have you picked up the figure 44? It seems like an odd figure to have—44 desks just sitting there, waiting for something unexpected to happen.

Joanna Place: We just keep a certain amount. It happens to be 44; it could be 50, but it would have been of that order. That is just in case we



HOUSE OF COMMONS

have to bring in a team quickly, or shunt people when we're doing small infrastructure works. However, there's no particular science to 44. But we don't want it to be as many as 100 and we don't want it to be 10. The way it is configured, in terms of a headcount, it is 44.

Q101 Chair: Finally, on the property stuff, you own the freehold of Threadneedle Street. The gold is in the basement. Is there any reason the gold has to be in the basement of Threadneedle Street? I mean, historically, it's been there a long time.

Bradley Fried: The gold might well be in another vault, but we would argue that we have a very, very sound security system. I can't go into details, but it is extremely—

Chair: I am not asking you to give us a map to where the gold is.

Bradley Fried: It is a very sound security system and, candidly, many central banks and Governments wish their gold could be stored in the Bank of England.

Q102 Chair: My point is that, if one of the barriers to having tenants in to Threadneedle Street, which you have seemed to indicate is an issue—partly, as you have said, because of the security of the gold in the basement—have you ever thought of relocating that to another property in order to maximise potential income from Threadneedle Street? Has that even been on your horizon?

Bradley Fried: It has not, and the reason it has not is that there is still plenty of room to go with the less contentious other properties that we have, by decanting people into Threadneedle Street.

Q103 Chair: Do you have a map of how far your staff have to travel to work in Threadneedle Street?

Joanna Place: We do.

Q104 Chair: So how many live in central London? I can see the benefit to having a presence because you are near other bank headquarters, but they are partly there because you are there. Have you looked at where your staff are now and how far they travel in? Given flexible working, you must be looking at this. Is it still a sensible central location?

Joanna Place: I will say two things to that. One is that we have mapped where our staff have come from and broadly estimated the time of the commute. It probably will not surprise you that we have about 4,000 staff and we spend about 8,000 hours a day commuting. That is probably typical of a journey. We did that a couple of years ago and it made us think more about flexible working. But there is another part to your question: if you look at the map of where our staff come from, they come from the south-east and maybe a bit further afield. There is a question whether we want to look more at our regional recruitment.

We have 12 agents or regional hubs across the country. We also have a cash centre in Leeds and a factory-type operation in Debden, but that is relatively small. We are starting to look at whether we could recruit more



HOUSE OF COMMONS

from the regions. I do not mean recruiting somebody from Newcastle and saying, "Oh, do come and live and work in the south-east," but looking at people working up there and what that would mean. Would they be attached to the regional agents, or is there another way of working that we could look at such as serviced office space and so on? That is something we are looking at now.

Q105 **Chair:** So you might reduce the headcount in London because you are becoming a more regionally focused central bank?

Joanna Place: We could. We have a couple of people, I think one in Scotland and one in Newcastle, who work from there. Obviously they need the technology, and we need to think about travel.

Q106 **Chair:** We know the challenges, but it is interesting. If you look at some of the other major banks, they have offices in or around Threadneedle Street, Bank and the City of London, but very often their main headquarters are not anywhere nearby. It is a chicken and egg question—I suppose you were there first, so they followed, but do you think you could have some role in maybe reshaping and rebalancing where our banking system is run from? With modern technology, does it all need to be in the centre of the City of London?

Joanna Place: With modern technology, it does not all need to be in the centre of London; a lot of banks have moved out, and that is clear. As supervisors, it is useful to do face-to-face meetings with them, and obviously we have to get a lot of data from them as well, but that can be done wherever they are in the country.

Q107 **Chair:** Is that partly driving your thinking that you need to boost the regional hubs?

Joanna Place: What drives our regional thinking is that part of our Vision 2020 plan was to be more accessible and to get out more and talk about what the Bank of England does. We have always had regional agents to pick up economic intelligence, but we have also introduced—

Q108 **Chair:** So more economists, you are saying, out there in the regions?

Joanna Place: Not necessarily more economists. It could be anybody working out there, but working remotely. We serve the UK public; that is in our mission. We want to talk to everybody across the UK. We introduced a programme whereby we went into schools in 2018. We set ourselves a target of 200 schools and we went into 285. The regional agents did 8,000 company visits. We do get out there and talk to people, because we represent the whole of the people of the UK.

Bradley Fried: The challenge for us is to be the Bank of the United Kingdom as opposed to the Bank of England, not only in terms of serving the United Kingdom, but in ensuring that we connect to nodes up and down the country.

Q109 **Chair:** I can't remember from the list, but you presumably have somewhere in Cardiff?



HOUSE OF COMMONS

Bradley Fried: Yes, we have a regional office in Cardiff.

Q110 **Chair:** You don't need to list them all—I was just checking.

Bradley Fried: Don't worry, I am not going to give you all 12, but we have them.

Q111 **Chris Evans:** I was trying to work out where the one in Cardiff was, because I have never heard of it. I didn't know you were in Cardiff.

Bradley Fried: Yes, we are in Cardiff. We have a regional office in Cardiff, where we have regional agents, because they have their contacts.

Q112 **Chair:** It is interesting that you are still very Threadneedle Street centric. Notwithstanding the asbestos and the gold, it sounds to me that there are opportunities there. Depending on what the National Audit Office decides to look at next time, we may come back to that.

Going back to the cost of running central services, the NAO highlights the cost and head count cap that you have put in place. Head count caps, as we know from the work we do with central Government, can be a very crude way of measuring whether you are actually saving any money. I think Ms Morris highlighted some of the challenges around staffing. How long will the current cost and head count cap apply for, and are there any problems, if you can give us the candid view, with taking that approach?

Joanna Place: We have said that it will last for the medium term. That is as much as we can say with the uncertainty. You raise the question of the head count cap being very crude. It is very crude, and logically you could say that you do not need a head count cap in the pound sterling. You do not, necessarily, but that came from the top. It came from the Governors: "We're going to have a head count cap and a budget cap." There is a discipline to both head count caps, and a cultural thing as well, if you are saying, "We're going to have a head count cap."

Are there challenges with it? In terms of preparing for Brexit, for example, we have had to divert resources into different areas, so the challenge for that are that we all think One Bank. That was a big thing when the Governor came in—that we think One Bank.

We also have to do regular reprioritisation exercises. That is a challenge. All the Governors are involved in those reprioritisations, as are the executive directors. We have to think quite carefully about doing, as we say, what matters most, so we reprioritise. That is the big challenge for us. Then, of course, we have to monitor that to make sure that we are not putting any of our core activities at risk. We have an executive risk committee that looks at both operational and financial risks, and we monitor it very carefully to make sure that we are not putting our core activities at risk. Yes, it is a challenge.

Q113 **Chair:** When will you have a clear idea of how much money you will save from these two caps, in terms of your contribution to the overall savings targets in the Bank?

Joanna Place: We have a budget cap. We are saying that we are going flat cash, so I think it will stay as flat cash. I would not expect it to necessarily reduce, but what I want to do is to take cost out of central services, because then it releases costs for the rest of the Bank.

I can already say that from the data centre migration and the service transformation the figures that we have put in from 2021-22 will be about £5.5 million. We also expect to squeeze more savings from procurement. We have set ourselves a 5% cap on that. The more exact figures, particularly for the service transformation, will be in place in April when we have our target operating model in place.

Q114 **Chair:** Mr Fried, are you confident that the head count cap in particular will mean that you are capable of delivering those core services that Ms Place highlighted as obviously vital?

Bradley Fried: The answer is yes, because all these trade-offs come ultimately to the Court of Directors. We see all of it. Nothing is a surprise. I should say to you that in respect of both the cost cap and the head count cap, as you can imagine, in a people business you cannot take a brick out of the wall. The only time you can really have some teeth around a cost cap is when we attach head count to that cost cap.

In terms of the timing of this, which is for the foreseeable future based on the 2017-18 budget, the Court holds this under review, because one of our responsibilities is to hold financial management and budgeting under review. We are going to keep a view on the balance of risks here.

Q115 **Chair:** Does that mean that you will, if necessary, make the decision to have redundancies in one area in order to keep the head count down, so you could fund increasing head count in another area?

Bradley Fried: It is a broader issue. The nature of reprioritisations is that as one area ebbs and flows, or as something we need to do stops, we will do something different with them. Take a classic example. We were working on the question of structural reform in the banking industry, which came out of this Parliament. We worked on the issue of structural reform. Structural reform has essentially come to an end. A lot of the people on that have gone into other areas where they were crying out for demand given the nature of the skills that they had developed in that work.

For the moment there has been a reprioritisation, but the answer to your question is yes. I would say to you, though, that the Court keeps this balance of risks under review all of the time. We will look very carefully at the cost reduction plans, see what impact they are having and balance that against the responsibility of the institution to ensure that we are delivering against our mandate. We are not going to be pig-headed or stubborn about keeping a cost cap or a budget cap if that would be reckless in relation to the achievement of our mission.

On the other hand, on Ms Morris's earlier point, culturally we have not always been attentive to the question of where we can achieve enduring,



HOUSE OF COMMONS

serious cost savings. We have to get those up before we can even think of moving on.

Q116 Chair: Ms Place, you have a big task. As the NAO highlights in paragraph 11, “Central Services need to absorb cost pressures of £11.5 million in 2018-19 to stay within budget, the most of any division.” How sustainable will that be? You have talked about future contributions to savings that you will be making. Will there be a point when you can no longer maintain that? From reading the report, it seems as if there is quite a lot of fat at the moment, but how will you be measuring the sustainability of your role in keeping the rest of the organisation running?

Joanna Place: We will not be able to ratchet down every year—that is quite clear. It is a bit like a teabag: you can squeeze it out. In terms of fat, it is not that we have lots of people sitting around not working very hard. It is actually about efficiency, with things like the One Bank services transformation; as I mentioned, we will take out 25 systems and replace them with one, and we will give the business a simpler and more standardised service. That will take out quite a lot of costs. At the moment, we think it will take out a run rate of about £3.5 million a year, but that is actually a lower estimate—we are trying to surpass that.

Q117 Chair: So when will you get the savings back? You are making changes to make savings. When will you break even on the savings programme in central services?

Joanna Place: For the One Bank services transformation, quite quickly: we will break even in about three years. The data centre migration is a much bigger project, so the payback period is going to be about 15 years, which is in line with data centre migrations in other companies—we had that externally reviewed.

Q118 Chair: So you have benchmarked that.

Joanna Place: Absolutely. That is a big programme of work. It does deliver savings, but it also delivers a lot more resilience.

Q119 Chair: Can you name some organisations that you benchmarked that data against?

Joanna Place: We had Deloitte in to do an external review. They looked at benchmarks against other companies; I can’t remember what other companies they looked at, but we had KPMG looking at it as well. That was to give us an external review and make sure that what we were doing was the right thing in terms of the structure and the governance of the programme, but also in the cost savings that we expected.

Q120 Chair: And will you keep benchmarking as you go through?

Joanna Place: Absolutely. In fact, post the NAO Report, we are looking at a piece of work that will look at how we benchmark these main programmes and the whole of the transformation programme, which will hold our feet to the fire to make sure that we actually deliver it in a way that achieves value for money.

Q121 Anne Marie Morris: In your five programmes—you mentioned the One Bank programme—how are you measuring their effectiveness year on year to see whether you are on target?

Joanna Place: The five Central Services programmes each have their own individual governance and performance metrics. Only two of the programmes will have cost savings attached: the One Bank services transformation programme and the data centre migration programme. Others are about security—particularly cyber, but physical security as well. The metrics for those will be about resilience, number of incidents, internal audit reports and so on. The fifth programme is about procurement. There will be cost savings around that as well, but some of the metrics will be around compliance. Hopefully there will be no incidents, but if there are any, there will be metrics for how we track them through the system. The programmes will all have slightly different metrics, given the different nature of them.

Q122 Anne Marie Morris: How long have these projects been going already?

Joanna Place: The data centre migration has been going for probably about 18 months. The One Bank services transformation is something that I started when I came in as COO when we set up our strategy; the project itself has been going for about six months. The cyber started with our first strategic plan—we got cyber up to the level we should, and now we are enhancing it. The physical security is a rolling programme of works. The latest instalment is introducing biometrics into our front hall, which is happening this week. The procurement, as we have heard, has been going on since 2017.

Q123 Anne Marie Morris: So do you reckon that your proposed £9 million saving by 2021 and the £15 million a year from 2021-2022 are still deliverable?

Joanna Place: A lot of it is going to be in procurement, particularly technology procurement. 2021-22 is when the data centre migration project savings and the services transformation programme savings will kick in.

Q124 Anne Marie Morris: On the basis of your measurements to date, you see no reason to think that that won't happen.

Joanna Place: I see no reason to believe that it won't happen. I believe it will happen.

Q125 Anne Marie Morris: That is good news. In three years' time, where do you think you will be with central services? What will it look like?

Joanna Place: I think next year we will see quite a lot of change. We will have embedded our procurement. We will, I hope, have developed the next stage of our property strategy. We will have got our target operating model. The One Bank service transformation programme will be clearer as well. I think in three years' time we will be smaller, I would expect. The One Bank service transformation programme will have delivered and we



HOUSE OF COMMONS

will be starting to reap savings from that. The same with the data centre migration programme.

In terms of security, our physical security and our cyber-security are in good places, but you have to continue just to stand still in these places. We will have to continue to invest in that as well. I would like to say that procurement is fully embedded, with 100% compliance—that is where I would like to be.

Q126 Anne Marie Morris: Have you got an overarching strategy with measurable for each year to say, “This is where on this journey we expect to be”, so that in three years’ or five years’ time, that is where we will be on central services?

Bradley Fried: The answer is no, we don’t—and we will have that. One of the NAO’s recommendations was around the measurement, and indeed it was a very important change for us—the idea of connecting cost and performance metrics into one way of measuring things. That is new for the Bank. We are going to adopt that and that is a work in progress.

Q127 Anne Marie Morris: Okay, but you need vision. You need something—

Bradley Fried: Yes. By the time we get to April we will have that vision in place, with a target operating model in place and an early indication of the right kind of metrics ready for debate at the board.

Q128 Anne Marie Morris: And when would you expect to first use those new metrics?

Bradley Fried: Straight away—immediately. We would start measuring and monitoring those metrics, but will they be the complete set of metrics? I don’t think so. I think it is going to be a bit of a contact sport until we are very comfortable with the metrics, but the answer is straight away.

Q129 Anne Marie Morris: We have talked a little bit before about culture, but we have talked about it in a very specific context. Do you think this cultural issue is holding you back from making the changes you need made?

Joanna Place: I would hope that any cultural issues won’t hold us back, but I think when you do a change programme, especially when you are doing it across a large number of people, you have to think very carefully about the culture of the organisation and the handling and the communication. In terms of landing, whether it is our procurement strategy or property, or change in service to the business across the HR front, we have to just make sure that we communicate that very clearly to the business. As the NAO noted in their Report, they interviewed people around the business about central services transformation and found support for our programme, which was good news, because it showed that we had started to communicate what we wanted to do about it. If we’ve got our One Bank policy correct then people across the business will be very supportive of our programme, but the important thing is that we bring the business with us and we communicate it all the time. For

example, on some of our programme boards, we have people from the business as well, so that, as we go along, we bring them with us.

Q130 Anne Marie Morris: It is about more than communication if you are going to change. When you talked about bringing people with you, you were right. What sort of engagement are you going to have—what sort of programmes to get people bought into a very different culture?

Joanna Place: When we say “a very different culture”, let us take the One Bank service transformation, where we are actually just going to give them a simpler system. How we get them involved is—a number of ways. We involve them in the governance, so we actually involve them in the programme itself, so that they can have their say. There is training; there is workshop—small group handling, to get their views, which you do with any change programme. We actually listen to their views of what they want, and they will listen to ours of what we want as well. A lot of it is communication. It is more than communication, because you have got to get them involved in the governance and so on, but it is actually bringing them with you all the way. We changed our reward strategy a couple of years ago. We didn’t sit in a huddle in HR and then just communicate it. We actually brought people along with us to think about how we should do our reward strategy. This when we introduced benchmarking. It is about bringing people with you every step of the way.

Q131 Anne Marie Morris: How much resistance have you had to any of that?

Joanna Place: To the reward strategy?

Chair: To One Bank.

Bradley Fried: Or to any of this.

Joanna Place: As the Report says, people are supportive of what we are doing. We had a cultural change programme—in effect a three-year cultural change programme—called Vision 2020, which was all about how we work and how we communicate. The recent staff survey was very positive on that—it was plus 7% from the previous year.

Q132 Chair: The NAO Report refers to the autumn 2017 staff survey, stating: “44% of staff thought poor processes and procedures across the Bank wasted staff time compared to 30% who felt favourably.” Has that gone up? You say it is favourable.

Joanna Place: The last staff survey asked the same question. It is slightly better, but actually still in the same ballpark. At our senior management meeting, we have dug into what people mean by “poor processes” and so on. They are not just talking about Central Services processes, but we believe that, if we reduced these 25 systems to one, it would be simpler for people to do things on the system. More importantly—this is what is in it for them, and this is how we change culture—they will be able to get better MI out, in real time, rather than waiting for a monthly report on their HR stats and so on. It is about what is in it for them as well.

Q133 Chris Evans: Just two quick questions. The first is on Debden, where you



HOUSE OF COMMONS

have the printing facilities. Am I right in saying that you operate at a loss there?

Joanna Place: You mean printing notes?

Chair: The property management.

Chris Evans: The property management. I am looking at figure 4. Could you just talk me through that?

Bradley Fried: Are we referring to Roehampton or Debden?

Chris Evans: The printing works at Debden. I am looking at figure 4.

Chair: You have the cost of running the property versus the—

Chris Evans: The cost, yes. Sorry, I should have been clear about that. I am looking at the cost of running the property against the revenue you get. It is figure 4 on page 18.

Chair: It does not include any income you get from the Treasury for printing notes, does it?

Bradley Fried: The issue at Debden and for our printing is that the economics of printing are based on seigniorage. Whatever notes we print are backed by interest-yielding assets. Those interest-yielding assets generate a return. Off the return comes the cost of printing the notes, and the balance is returned to Her Majesty's Treasury. I am sorry, I do not recognise Debden running at a loss.

Q134 **Chair:** I think it is that the nearly £7 million is income from tenants, and then the costs—

Bradley Fried: Yes, I think it is because we sub-let some of it.

Q135 **Chris Evans:** Right, that is where that figure comes from.

Chair: Yes, and then the Treasury pays you to print the money.

Bradley Fried: Yes, but I wouldn't read into this—

Q136 **Chair:** We wondered why you still print your own money. De La Rue has the contract, but you still own the printing works. Is that something that is in the mix when you are looking at property? Is it worth your while running a printing works? Is it possible security-wise to completely outsource banknote printing? Is that something you have even considered?

Joanna Place: It is an interesting question. A limited number of companies can print notes. Obviously, De La Rue is one of them. We used to print our own notes. We used to do it ourselves. We had the facility, so when they took it over, we allowed them to use our premises to do it. It is an interesting question whether we would want to—

Q137 **Chair:** The Scottish and Northern Irish banks print their own money.



HOUSE OF COMMONS

Bradley Fried: Yes, they do.

Q138 **Chair:** There are other competitors out there, and they do not do it at your headquarters. Presumably they have something pretty secure. I hope they do.

Bradley Fried: In these volumes, at this level, especially with polymer these days—but it is a very important challenge. I cannot, off the top of my head, give you a—

Q139 **Chair:** But it is not something you have ruled out at this point?

Bradley Fried: No.

Q140 **Chris Evans:** Can I ask a trivia question that I am trying to find the answer to? Why is coinage made at the Royal Mint in Llantrisant, yet notes are printed separately? Is there any reason for that? I cannot find the answer anywhere.

Joanna Place: I do not know the answer. It is probably a question for the Government. We have never done the coins. It is obviously a historical thing.

Chair: There you go. It is a pub quiz question, Mr Evans.

Q141 **Chris Evans:** I just wondered whether you knew the answer. It seems strange that they are produced in separate places.

Bradley Fried: Certainly, from my experience, I can tell you that the delivery and distribution mechanism is entirely different. As you can imagine, for coinage there is a very different mechanism, but I do not know the answer.

Chair: There is a mission for you, Mr Evans, before you leave this place.

Q142 **Chris Evans:** There may be a money-saving opportunity there. I will move on to Roehampton. Obviously, Roehampton has had a lot of press since the Report was published. The question has to be asked why the Bank is running a leisure centre, which is outside of its core business. I have looked into fees to join—not that I was looking to join. There is a £500 joining fee. It is extremely expensive. I was just wondering how you would justify that cost of Roehampton.

Bradley Fried: I should say, for the sake of completeness and to cross-compare Committees, the same question was asked in my pre-appointment hearing with the Treasury Committee last June. I will tell you how I answered and I will tell you what has happened subsequently. The question was asked why we need Roehampton, for very similar reasons to the ones Mr Evans just posed. The answer I gave was that, rather than be presumptuous, we will look at Roehampton. Let me make the following observations to you, Mr Evans. Just for the sake of absolute completeness, there are different sets of numbers floating about, which I believe were reconciled with the National Audit Office this morning, between *The Times* article and so on. The Roehampton site has been owned by the Bank of England since 1907.



HOUSE OF COMMONS

Q143 **Chair:** You own the freehold?

Bradley Fried: Yes. During the past 111 years, a few things have happened—more latterly.

Chair: The later stuff is what people are most interested in.

Bradley Fried: A nine-acre site with tennis courts and facilities were leased to the Lawn Tennis Association. The freehold is retained—this goes to Ms Hillier's point. It is a 125-year ground lease sold to the LTA. We have an area that we lease out, which was the Bank of England's records office. Then there is this sports facility. If we look at it before depreciation, just a cash contribution or an operating profit contribution, the site itself does not draw on the public purse. There is a £77,000 net contribution and operating contribution from the site itself. That said, the sports site was once—I have given you the history—part of our wellbeing package for staff. But we recognise that the Bank of England does not need to own a sports site. This is something that the Bank's governors are meeting on either later this month or very early in February. It is on the court agenda for our 10 February court meeting. After that discussion has taken place, I will be very happy to communicate with this Committee.

Q144 **Chair:** How many staff use it? Given the patterns of work, you must know how many people live near enough.

Joanna Place: 13% of staff are members of the sports club.

Q145 **Chair:** So even if you offered to them a subsidised or tax-efficient membership of another facility, it could be cheaper than using the current site.

Joanna Place: Of course it could. If we were starting with a blank canvas now, we would not think that we need to build a physical sports centre and it needs to be in Roehampton. This is obviously historical, so we now need to think what is best for the wellbeing of our staff, which is important. We still want a sports club.

Chair: I imagine that if 70% were using it, they might be using it together and you could see that there might be fringe benefits.

Q146 **Chris Evans:** You have a gym at Threadneedle Street, haven't you?

Joanna Place: Yes, we have.

Bradley Fried: Even if there was that benefit, the Bank of England does not need to own a sports site.

Q147 **Chair:** How many people use the gym at Threadneedle Street?

Joanna Place: I don't have a percentage but it is quite high.

Q148 **Chris Evans:** Is that a club as well?

Joanna Place: No, it is just a gym. You pay for membership, so you pay for it.



HOUSE OF COMMONS

Q149 **Chair:** Given that you have got the space at Threadneedle Street maybe that is not such an issue, but it is interesting. The gym must be one of the most expensive bits of real estate in the country, I should imagine.

Joanna Place: Well, it is in the sub-vaults.

Q150 **Chair:** Thank you very much indeed for coming to this first outing, if you like, in front of the Public Accounts Committee. We will be keeping an eye on this. I think you have been reasonably candid about some of the challenges and it is certain that you are trying to change the culture. We will obviously hold your feet to the fire on that, as will the National Audit Office. I know they have been in to see you. This is the second time that they have had a look at what you are doing.

It was quite interesting reading for those of us who are used to looking at these big projects, challenges and transformations. Some of what has happened at the bank gives a glimpse into the past, and we hope to see the modernisation and the savings that you are hoping to make.

Thank you very much. The uncorrected transcript will be on the website in the next couple of days. We have recesses and Brexit to worry about, so we will be producing a report on this in February or maybe early March.

Bradley Fried: Thank you, Chair.