



National Audit Office

Report

by the Comptroller
and Auditor General

Bank of England

Progress delivering the 'One Mission, One Bank' strategy

Key facts

£120m

initial estimated cash cost of delivering the strategy

£72.9m

cost of delivering the strategy up to the end of February 2017, including reorganisation costs

£94.9m

forecast cost of delivering the strategy up to the end of February 2019, including reorganisation costs

March 2014	start of One Mission, One Bank strategy
4,108	staff working for the Bank of England as at the end of February 2016; 1,185 staff transferred to the Bank as part of the creation of the Prudential Regulation Authority in April 2013
2,045	staff working for the Bank of England as at the end of February 2012
6.2%	percentage of the Bank's senior staff who were Black, Asian and Minority Ethnic (BAME), as at November 2016, against an interim target of 10% by 2020, up from 2.9% in March 2014
29%	percentage of the Bank's senior staff who were women, as at November 2016, against a target of 35% by 2020, up from 21.2% in March 2014
11th	the Bank's position in the Research Papers in Economics (RePEc) central bank research ranking as at February 2017, up from 19th at the start of the strategy
48%	percentage of staff answering favourably to the statement "decisions are made at the appropriate level within the Bank" in the 2016 staff survey, up from 42% in 2015

Summary

1 The Bank of England (the Bank) is the UK's central bank. Its core mission is to "promote the good of the people of the United Kingdom by maintaining monetary and financial stability". It is overseen by a board of directors known as the Court, and is accountable to both Parliament and the public.

2 In the aftermath of the global financial crisis the Bank has gained new responsibilities and expanded rapidly. In taking on its new responsibilities the number of staff working for the Bank expanded from 2,045 in February 2012 to 4,108 in February 2016. The expansion included 1,185 staff transferred to the Bank as part of the creation of the Prudential Regulation Authority (PRA) in April 2013. This expansion had created potential barriers to operating as 'One Bank'. Practical differences (such as different pay structures), along with different underlying cultures, made it difficult for staff to move between different parts of the organisation, and for the Bank to foster an institution that made best use of its collective expertise.

3 In March 2014, the Bank launched its three-year One Mission, One Bank strategy (the strategy). In doing so, it sought to better exploit its expertise across its functions to maximise its impact as a single organisation and deliver a shared sense of mission, particularly given its expanded remit.

Our report

4 This report examines the delivery of the strategy and early evidence of its impacts. We set out the context for the strategy (Part One) and assess its development and how the Bank oversaw its delivery (Part Two). We also examine its impact and the extent to which it has helped the Bank to achieve its transformation objectives (Part Three). At the time of our work the Bank was developing a new strategy for 2017 to 2020.

Key findings

Developing the strategy

5 **The Bank's strategy was based on an in-depth assessment of the issues to be tackled.** In 2013 a largely new senior management team began to take a more fundamental look at how the newly expanded Bank was operating. In autumn 2013, it commissioned a detailed 'organisational health check'. This included work to obtain the views of staff on 37 different aspects of the way the Bank managed itself. More than 2,200 staff contributed, 67% of the total (paragraphs 2.2 to 2.7).

6 The 15 initiatives planned as part of the strategy linked back to the issues identified, although some issues were not fully addressed. In most cases, there was a link between the initiatives and the initial diagnosis in the organisational health check. For example, the strategy included action to harmonise terms and conditions (One Bank, Your Reward initiative) and improve performance management. This aimed to tackle a lack of staff mobility, silo working and the need for better talent management. However, bureaucracy and delegated decision-making were both highlighted in the initial diagnosis but were not fully addressed in the strategy (paragraph 2.12).

7 The estimated cost of delivering the strategy set out in the initial plan was incomplete. The initial budget for delivering the strategy was £88.5 million and included the incremental cost of the 15 initiatives. However, this did not include the cost of delivering two of the initiatives, which had already started (totalling £31.5 million). It also omitted the costs of organisational change associated with the strategy, for example the costs of recruiting new directors and moving staff between the London offices. A complete budget was not identified separately as part of the strategy when it was approved by the Bank. Adding all the available figures gives a total initial budget, inclusive of all elements, of £120 million. Forecast expenditure by the end of February 2019 is now expected to be £94.9 million, significantly below the total initial budget. The forecast reduction follows further scoping work that indicated less resource was required, for example to deliver its IT and data-related projects (paragraphs 2.14 and 2.15).

Delivering the strategy

8 The Bank established clear responsibilities for delivering the strategy before it was launched and effective arrangements for tracking progress. Individual executive directors were put in charge of each initiative and were accountable to the Governor, deputy governors and the Court of Directors. The Bank also established a new Strategic Plan Office, consisting of three to four people, to monitor and report on progress, advise on managing change and support teams. These arrangements helped to maintain a focus on delivery and performance throughout the strategy period (paragraphs 2.17 and 2.18).

9 By March 2017 the Bank had reorganised its operations and delivered most of the actions intended to contribute to creating 'One Bank'. During the summer of 2014, the Bank undertook a reorganisation aligned to the strategy. This resulted in 700 staff moves within and between the Bank's London offices. Several teams were integrated, and duplicating and overlapping functions removed (paragraphs 2.20 and 2.21). The initiatives delivered included:

- **One Bank, Your Reward and Rewarding Excellence and Teamwork.** These initiatives aligned terms and conditions across the Bank and introduced a new performance management system. They harmonised pensions and introduced new awards aligned to performance and to five new values introduced as part of the strategy. These were major tasks and required extensive consultation across the Bank (paragraph 2.22).

- **One Bank Research Agenda.** The Bank published its One Bank Research Agenda in February 2015. This set out its priority areas of research. The Bank also established a Research Hub in 2015 comprising mainly of a team of staff seconded from across the Bank on time-limited research work. The Hub is one example of the Bank's efforts to utilise skills from across the institution on cross-cutting issues (paragraph 2.23).

10 There have been delays in delivering a new data architecture and shortcomings in reporting progress. The Bank identified a need to improve its ability to share and analyse data across the Bank to improve insight and policy-making. Some actions have been delayed and a longer-term sustained effort will be required. There were also shortcomings in how progress was reported against these actions. The delays have put back delivery of the expected benefits.

- **One Bank Data Architecture.** This initiative committed the Bank to build new IT systems, over a four-year period, to allow for better use of its numerous data-sets. This turned out to be much more complex than expected, with the Bank identifying that the new IT would need to support around 182 data systems and 2,700 datasets. This initiative has yet to deliver against initial plans and final completion is now not due until February 2019, outside the initial anticipated delivery of March 2018. While the Bank's progress reports had flagged delays to this initiative during 2016, the overall RAG (red/amber/green) rating did not turn red until December 2016 (paragraphs 2.24 and 2.25).
- **New Approach to Data and Analysis.** This initiative included one component, added to the delivery plan in 2015 after the strategy had started, that was still to be delivered in March 2017. This component involved the establishment of a separate computing network for researchers that is now not expected to be delivered until the end of 2018, subject to further prioritisation decisions. The overall RAG rating for this initiative remained green in December 2016, even though the scheduled end date for the remaining component had changed from March 2017 in the October 2016 progress report to the indicative date of 2018 in the December progress report (paragraphs 2.24 and 2.25).

11 The Bank developed measures of progress, but some lacked focus on the outcomes expected and clarity on the level of ambition. The Bank developed more than 100 measures to help track progress and considered, from the start, what success would look like. However, it is not clear which of the measures were considered by the Bank to be key and additionally some of the measures focus on the delivery of outputs rather than the changes sought through the strategy. In a number of instances – with diversity targets being an exception – the Bank did not quantify the degree of improvement anticipated for the investment involved (paragraphs 2.19 and 3.17).

Impact of the strategy

12 The Bank has made progress on a range of issues identified in the strategy.

The overall aim of the Bank's strategy was to maximise its impact by working together as 'One Bank'. While not concluding on the strategy as a whole, we have examined key elements of the strategy designed to meet this aim, including the Bank's efforts to promote a diverse and talented workforce, achieve analytical excellence and, in doing these, change the culture of the Bank. The Bank has made progress on several fronts:

- **Diversity.** The Bank has made progress towards its diversity objectives. By November 2016 it was on course to meet all of its targets, apart from its 2020 target of 10% relating to the number of Black, Asian and Minority Ethnic (BAME) staff in senior grades. The Bank needs to make further progress if it is to match, for example, the diversity levels in the civil service. By May 2016, women accounted for 28.4% of senior positions in the Bank. Women in senior civil service positions accounted for 40.1% of staff at this level by the end of March 2016. Similarly, BAME staff accounted for 5.6% of senior staff in May 2016, while the figure in the senior civil service at the end of March 2016 was 7% (paragraphs 3.17 and 3.18).
- **Integration of the PRA.** At the start of the strategy, the Bank's 'organisational health check' identified a more negative outlook among staff in the PRA compared with the rest of the Bank. The Bank's 2015 and 2016 staff surveys suggest that it has made significant progress in closing this gap, with the PRA scoring within 3.5 percentage points above or below the Bank average across all 13 dimensions of the 2016 survey (paragraphs 3.20 and 3.21).
- **Research standing.** The Bank has improved the standing of its research on the international stage. Between March 2014 and March 2017 the Bank improved from 19th to 11th place in the Research Papers in Economics (RePEc) central bank ranking for its research. Its ambition was to have been in the top 10 by March 2017. The improvement partly reflects an effort to better promote its work. It has increased the number of its researchers registered for inclusion in the RePEc ranking and has recruited new researchers into the Bank with strong research records: both actions contribute towards the ranking (paragraphs 3.24 and 3.25).

13 The Bank has begun to change some aspects of its culture but has further to go, particularly in terms of empowering staff and streamlining decision-making.

There are no straightforward ways of measuring cultural change. The 2016 staff survey, for example, suggested that staff's perceptions of collaborative working had improved. We consulted external stakeholders, who identified improvements in the way the Bank brings together expertise from across the Bank to address issues. While actions have been taken to help improve empowerment, in five of the six Governorships less than 50% of respondents agreed with the statement "decisions are made at an appropriate level within the Bank". External stakeholders commented that the Bank appeared hierarchical with staff wanting at times to refer back to managers even when dealing with less sensitive issues. The Bank's key policy decision-making is centralised within its statutory committees, where a range of expertise and judgement can be brought to bear on decisions. Without challenging this structure, the perceptions of staff and some stakeholders still need to be addressed, perhaps by visibly streamlining areas of activity where this can be done without increasing risk, and communicating more effectively to ensure staff understand and accept the Bank's approach to managing risk (paragraphs 3.4 to 3.15).

Conclusion on value for money

14 The Bank developed a well thought through strategy, based on a clear diagnosis of the issues to be addressed. The strategy's 15 initiatives link back to the diagnosis. Clear responsibility for delivering the strategy was established from the start and, with the benefit of consistent leadership, the Bank has made progress towards building 'One Bank', most notably in relation to the organisation and reward of its staff. In developing some of the attributes of a more cohesive operation, the Bank has seen improvement in staff perceptions and tangible progress towards some of its diversity targets.

15 While the Bank made good progress during the early stages of the strategy and delivered many of its specified actions, some of the more challenging elements, such as embedding cultural change and delivering significant data projects will require a longer-term sustained effort. To build on its successes to date and deliver value for money in the longer term the Bank will need to focus on these issues, with better scrutiny of costs upfront and greater clarity on what it wishes to achieve.

Recommendations

16 As the bank develops its new strategy for 2017–2020, it should consider the following.

On empowering staff

- a** The Bank needs to investigate the underlying reasons for continuing concerns from staff regarding lack of empowerment and address these: for example by communicating more effectively to ensure staff understand and accept its approach to risk; and streamlining processes where this can be done while still managing risk.
- b** The Bank should set out principles regarding the appropriate level for decision-making that balances statutory responsibilities, requirements for senior management oversight and the desire to delegate more and empower staff.

On scrutiny of costs and sustainability of changes made

- c** The Bank needs to ensure that all the costs associated with the new strategy are estimated and brought together at the start. All individual strategy proposals, not just projects, should be subject to full option analysis and scrutiny of likely benefits, costs and sustainability.

On tracking progress

- d** There needs to be a stronger link between the investments the Bank makes and the expected benefits, particularly to the Bank's core operations. The Bank should clearly set out what it wants to achieve, linked to the level of investment involved.
- e** The Bank should review the effectiveness of its arrangements for validating and challenging the progress reported on its projects, to ensure progress is reported clearly and the risk of optimism bias is minimised.