



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Bank of England**

# Progress delivering the 'One Mission, One Bank' strategy

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National Audit Office

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Bank of England

# Progress delivering the ‘One Mission, One Bank’ strategy

Report by the Comptroller and Auditor General

Ordered by the House of Commons  
to be printed on 26 June 2017

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

12 June 2017

This report examines the delivery of the Bank of England's 'One Mission, One Bank' strategy, launched in 2014. We also examine its impact and the extent to which it has helped the Bank to achieve its transformation objectives.

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## Key facts

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**£120m**

initial estimated cash cost of delivering the strategy

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**£72.9m**

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

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**£94.9m**

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

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<b>March 2014</b>	start of One Mission, One Bank strategy
<b>4,108</b>	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
<b>2,045</b>	staff working for the Bank of England as at the end of February 2012
<b>6.2%</b>	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
<b>29%</b>	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
<b>11th</b>	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
<b>48%</b>	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.

# Part One

## Background

**1.1** This part examines:

- the Bank of England's role and remit; and
- the origins of its 2014 One Mission, One Bank strategy (the strategy).

**1.2** The Bank of England (the Bank), as the UK's central bank, has an overall aim to deliver monetary and financial stability. In pursuit of this aim, it performs a number of functions (**Figure 1** overleaf).

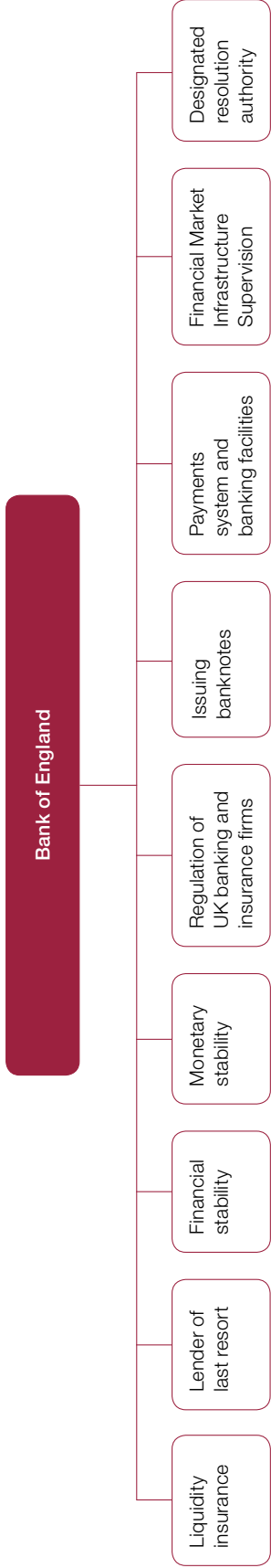
**1.3** The Bank was first established as a private institution in the 1690s as the government's banker and debt manager. It was nationalised in 1946, and since then the Queen has appointed the Bank's Governors and directors on the advice of the government. Today, the Bank is a corporation wholly owned by the UK government, with HM Treasury as its sole shareholder. In 1997 the government granted the Bank independent operational responsibility for monetary policy and in 2012 gave it a mandate to protect and enhance the stability of the UK financial system.

### **The Bank's statutory responsibilities and governance**

**1.4** The Bank has three statutory committees that carry out its statutory policy functions.

- The Monetary Policy Committee (MPC) is responsible for meeting an inflation target set by the government, and seeks to do so by utilising monetary policy tools, such as setting the interest rate.
- The Financial Policy Committee's (FPC) primary objective is to protect and enhance the stability of the UK financial system.
- The Prudential Regulation Committee (PRC) (formerly the Prudential Regulation Authority (PRA) board) is responsible for prudentially regulating deposit-takers, insurers and the largest investment firms in the UK.

**Figure 1**  
Roles and responsibilities of the Bank of England



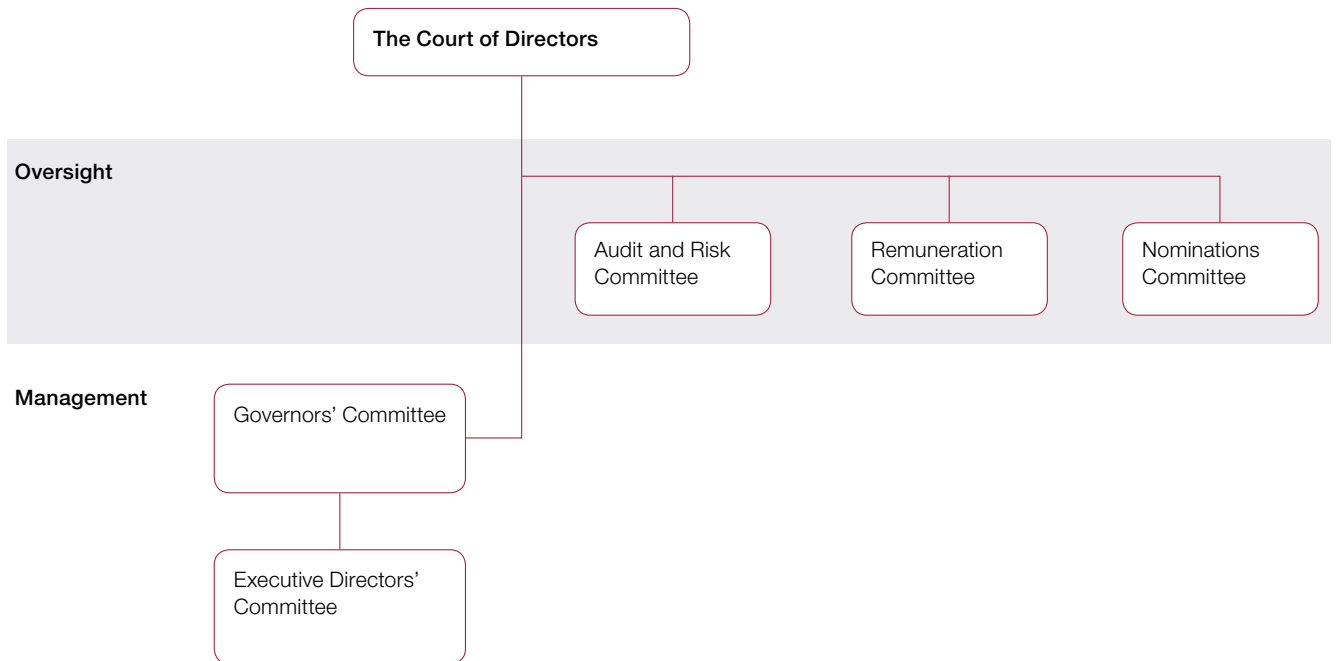
**Notes**

- 1 Liquidity insurance: provision of liquid assets to solvent counterparties in exchange for a wide range of collateral assets of good credit quality.
- 2 Lender of last resort: to financial institutions at times of financial stress.
- 3 Financial stability: The Financial Policy Committee identifies, monitors and takes action to remove or reduce risks to protect and enhance the resilience of the UK financial system. This includes a role as the UK's resolution authority and responsibility for supervising financial market infrastructures.
- 4 Monetary stability: maintaining stable prices and confidence in the currency. The Monetary Policy Committee sets interest rates, based upon a remit set by the Chancellor of the Exchequer.
- 5 Regulation of UK banking and insurance firms: prudential regulation and supervision of around 1,700 banks, building societies, credit unions, insurers and major investment firms.
- 6 Issuing banknotes: for use in the economy.
- 7 Payments system and banking facilities: running the system used to settle payments between banks.

Source: Bank of England website

**1.5** The Bank's governance structure is also determined by statute and under delegations from its Court of Directors (**Figure 2**).

**Figure 2**  
Bank of England's governance and executive structure



**Notes**

- 1 The Court of Directors (Court) acts as the Bank's unitary board, responsible for strategy and budgets, resourcing and appointments and oversight of performance and financial management. The chair and non-executives are appointed under a statutory process.
- 2 Reporting to the Court are various sub-committees prescribed in statute/established by the Court of Directors (Audit and Risk Committee, the Remuneration Committee and the Nominations Committee).
- 3 The day-to-day running of the Bank is conducted by the Governors' Committee and the Executive Directors' Committee. The appointment of the governor and four deputy governors is subject to a statutory process. There are 16 executive directors, who are not part of Court, but are responsible for overseeing the delivery of the Bank's mission and strategy.

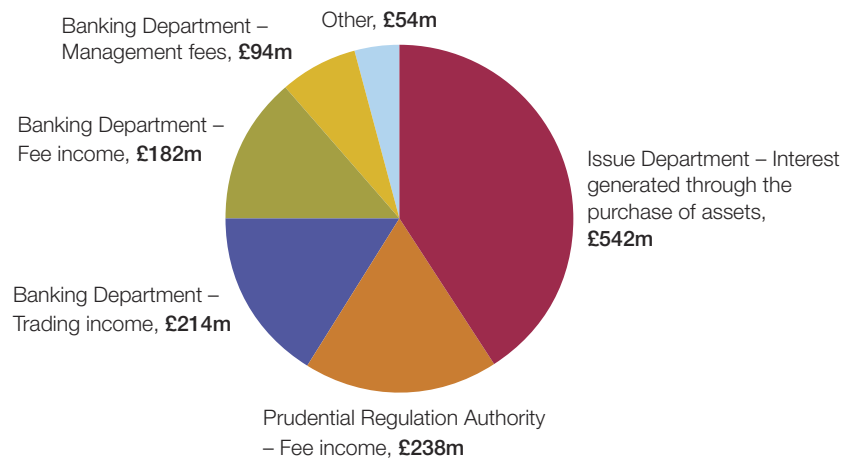
Source: Bank of England Annual Report 2016

**1.6** The Bank generates income to cover the cost of delivering its statutory remit and does not receive any direct tax-payer funding or grants from government. Income totalled £1,324 million in 2015-16 (**Figure 3**) and is reported in three main parts: the PRA, banking department and issue department.<sup>1</sup> The PRA charges a levy to the organisations it regulates.<sup>2</sup> The Bank’s issue department (which covers all activity related to issuing bank notes) purchases interest-bearing assets, used to back the notes in circulation. The net profit or loss of the issue department is paid in full to HM Treasury. The banking department generates the following sources of income, with post-tax profits split 50:50 with HM Treasury:

- The Cash Ratio Deposit (CRD) scheme requires relevant institutions to place an interest-free deposit at the Bank. The Bank invests these deposits in interest-bearing assets, using the interest to finance its policy functions.
- The Bank receives management fees for services provided to customers, including banks and building societies, official authorities overseas, and various parts of HM government.
- The Bank also generates income from the investment of its own free capital and reserves.

**Figure 3**  
Bank of England’s income, 2015-16

The Bank’s total income in 2015-16 was £1,324 million



**Notes**

- 1 This chart includes gross income from the banking and issue departments and the Prudential Regulation Authority accounts. Under legislation, the financial performance of the banking and issue departments are reported separately.
- 2 The income streams have been presented net of any intra-group charges. Within the £191 million Banking Department Management Fees (stated in the 2016 statutory accounts) there is a charge to the PRA of £97 million, which has therefore been removed above.
- 3 Issue department income is payable to the National Loans Fund (NLF) after deducting relevant expenditure, so does not fund the Bank’s other activities. The 2016 statutory accounts show £462 million net income payable to the NLF.
- 4 Any profits from the Banking Department (that is, activities not relating to the issue department or PRA) are split 50:50, with a dividend being paid to HM Treasury.

Source: Bank of England, Annual Report 2016

1 Bank of England, *Annual Report 2016*. Available at: [www.bankofengland.co.uk/publications/Documents/annualreport/2016/boereport.pdf](http://www.bankofengland.co.uk/publications/Documents/annualreport/2016/boereport.pdf)  
 2 Prudential Regulation Authority, *Annual Report and Accounts 2016*. Available at: [www.bankofengland.co.uk/publications/Documents/annualreport/2016/prareport.pdf](http://www.bankofengland.co.uk/publications/Documents/annualreport/2016/prareport.pdf)



**1.7** In recent years, Parliament has passed legislation expanding the Bank's remit, mainly in response to the financial crisis. Its current responsibilities are set out in statute (**Figure 4**).

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## **Figure 4** Bank of England legislation

### **Bank of England Act 1998**

Provided the Bank with statutory independence, and the power to determine monetary policy, including by setting interest rates.

Transferred supervisory functions to the Financial Services Authority (FSA).

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### **Banking Act 2009**

Established a statutory objective for the Bank to protect and enhance the financial stability of the UK.

Created a new Special Resolution Regime (SRR) for dealing with distressed banks and building societies.

Created a statutory oversight role for the Bank in relation to inter-bank payment systems recognised by HM Treasury.

Created a new framework for the issuance of banknotes in Scotland and Northern Ireland to be overseen by the Bank.

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### **Financial Services Act 2012**

Created an independent Financial Policy Committee (FPC) at the Bank.

Created the Prudential Regulation Authority (PRA) as a subsidiary of the Bank.

Provided new responsibilities for supervising financial market infrastructure providers.

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### **Bank of England and Financial Services Act 2016**

Made the Court of Directors a more focused unitary board.

Brought the Prudential Regulation Authority (PRA) within the Bank, and created a new committee of the Bank to be known as the Prudential Regulation Committee (PRC).

Made the Financial Policy Committee (FPC) a committee of the Bank, rather than a sub-committee of Court.

Moved the Monetary Policy Committee (MPC) to a schedule of eight meetings a year, which will enable more joint meetings of the MPC and the FPC.

Gave the National Audit Office a role in respect of the Bank's external audit process and HM Treasury-indemnified activities; and gave the National Audit Office power to examine the economy, efficiency and effectiveness with which the Bank uses its resources.

Updated provisions about resolution planning and crisis management arrangements between HM Treasury and the Bank to reflect recent improvements to resolution planning for systemic financial institutions, and crisis management for institutions in distress.

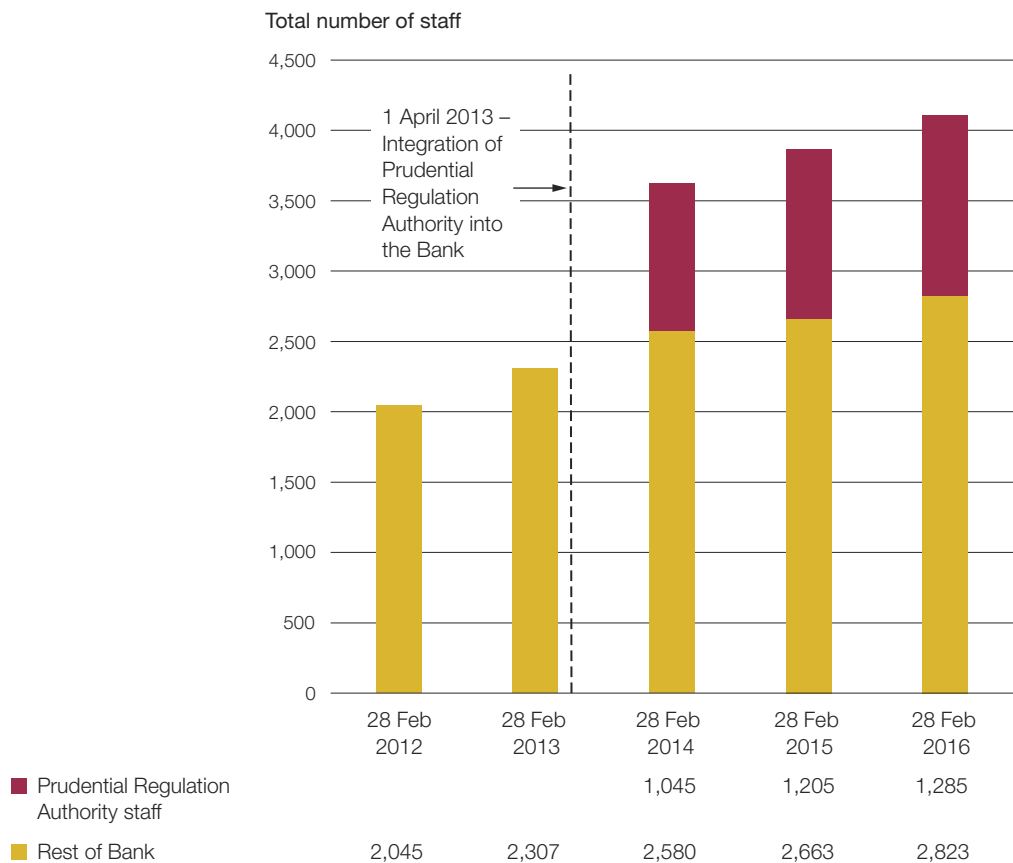
Source: Bank of England website

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**1.8** The Governor and four deputy governors serve as the Bank's top-level executive team. Each deputy governor has responsibility for an aspect of the Bank's work, with the relevant business areas forming a 'governorship'. There are six governorships: Governors; Monetary Policy; Financial Stability; the Prudential Regulation Authority; Markets and Banking; the Chief Operating Officer. The number of Bank staff rose by just over 100% between 2012 and 2016 (**Figure 5**). Much of the increase arose from the creation of the PRA in April 2013 when 1,185 staff transferred to the Bank; however, the growth trend can be seen more generally, including expansion of central services to support the larger Bank.

**Figure 5**  
Bank of England staff numbers, 2012 to 2016

The Bank's staff have doubled between 2012 and 2016



**Note**

1 1,185 staff transferred from the Financial Services Authority to the Bank of England in April 2013. Many joined the newly created PRA, while others went on to work in the rest of the Bank and therefore count towards the 'Rest of Bank' totals above.

## The One Mission, One Bank strategy, 2014

**1.9** In 2013 and 2014 the Bank identified a need to develop a more unified single institution following its rapid expansion. For example, following the integration of the PRA, the Bank was operating three different pay, grading and pension frameworks, excluding the arrangements for the Governor and deputy governors. These frameworks brought with them very different reward arrangements, resulting in different splits between pay, pensions, benefits and performance awards.

**1.10** External reviews of the Bank's operations also identified a need for change:

- In its report *Accountability of the Bank of England* in October 2011, the Treasury Select Committee identified the need for governance structures to be strengthened and for the Bank to be more open about its work. It also commented on the need for greater accountability, given the additional powers obtained by the Bank.<sup>3</sup>
- Following the financial crisis, the Court of the Bank commissioned three reports, all published in October 2012. The reports looked at the provision of emergency liquidity assistance, the Monetary Policy Committee's forecasting capability and the framework for providing liquidity to the banking system.<sup>4,5,6</sup> These reports, while specific in nature, also identified more general issues. For example, the report on providing liquidity to the banking system considered the decision-making process at the Bank to be centralised and hierarchical. This was reiterated in the report on forecasting capability, which noted too few incentives for staff to seriously challenge the Monetary Policy Committee about some of the key issues surrounding the forecast.

**1.11** The Bank launched its three-year strategy in March 2014. The strategy sought to re-clarify the Bank's purpose through a 'One Bank' philosophy. To support the Bank's mission, the Bank developed four strategic 'pillars', under the headings 'diverse and talented', 'analytic excellence', 'outstanding execution' and 'open and accountable', and an overarching 'One Bank' theme (**Figure 6** overleaf). The strategy was underpinned by a public commitment to deliver 15 initiatives (see Figure 8 on page 23). These all aimed to support the Bank's mission statement "to promote the good of the people of the United Kingdom by maintaining monetary and financial stability".

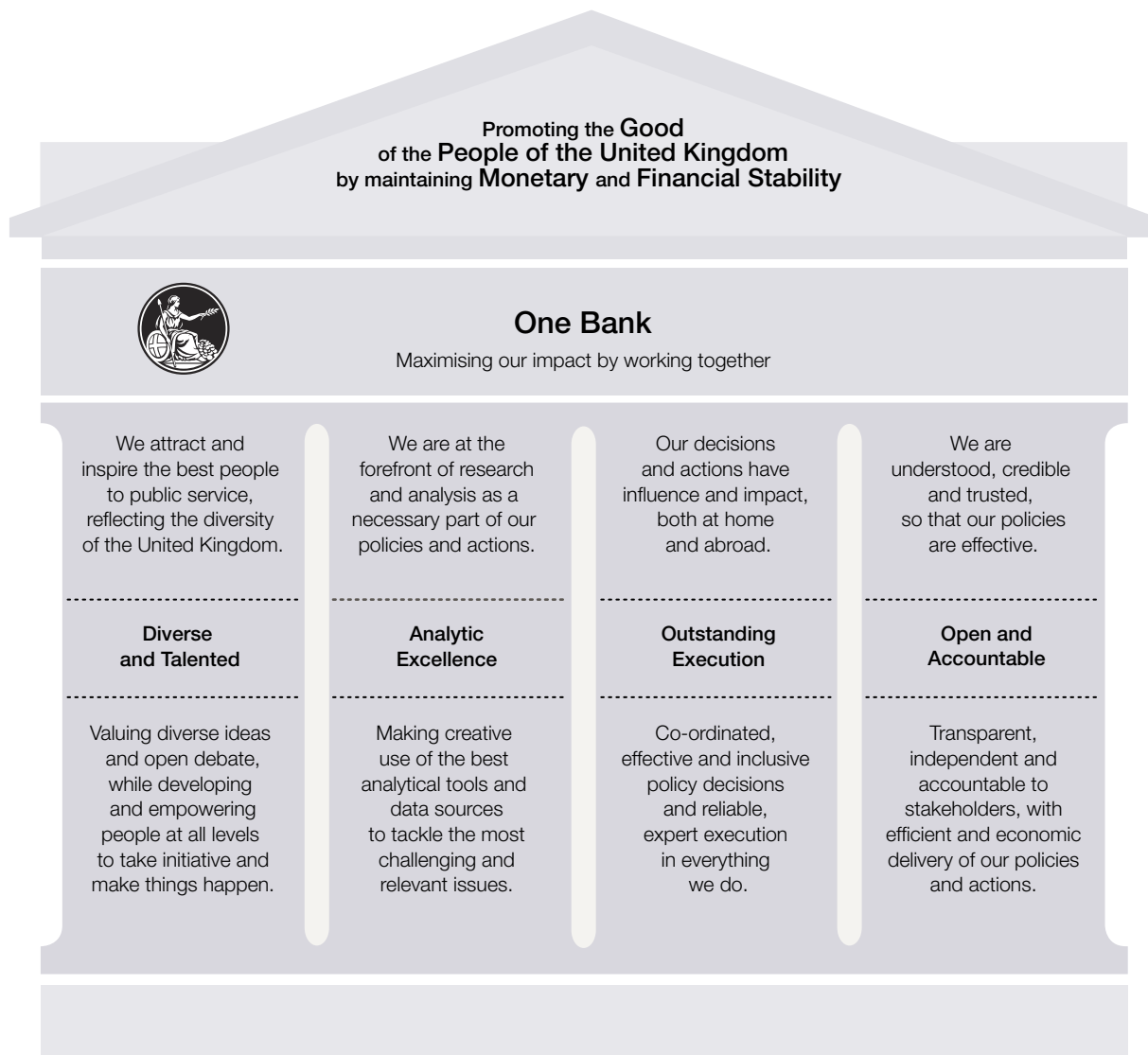
3 HC Treasury Select Committee, *Accountability of the Bank of England*, Twenty-first Report of Session 2010–2012, HC 874, October 2011.

4 Ian Plenderleith, *Review of the Bank of England's provision of emergency liquidity assistance in 2008-09*, October 2012.

5 David Stockton, *Review of the monetary policy committee's forecasting capability*, October 2012.

6 Bill Winters, *Review of the Bank of England's framework for providing liquidity to the banking system*, October 2012.

**Figure 6**  
The ‘One Mission, One Bank’ strategy



Source: Bank of England ‘One Mission, One Bank’ strategy document

## Part Two

### The Bank's oversight of delivery of the strategy

**2.1** This part examines:

- whether the One Mission, One Bank strategy (the strategy) was based on a sound diagnosis of the issues to be tackled; and
- whether the Bank of England (the Bank) exercised effective oversight of the delivery of the strategy.

#### **Developing the strategy**

**2.2** To develop the strategy, the Bank carried out a diagnosis of the issues to be tackled, consulted with staff, and assessed the actions needed to deliver its chosen objectives. Development of the strategy began in the summer of 2013 and culminated in its launch in March 2014. We examined whether the Bank's strategy was based on a robust assessment of the issues to be tackled.

**2.3** The Bank commissioned an extensive qualitative 'health check' survey of staff opinion in November 2013. It recruited consultants, McKinsey, to carry out a review of the way the Bank worked, including its underlying culture. The survey received 2,266 responses, with a completion rate of 67%. McKinsey also conducted in-depth interviews with the senior leadership team.

**2.4** The survey concluded that the Bank was above average in terms of outcomes relative to other public sector organisations. It showed clear strengths in some areas, such as how employees view its culture overall and on practices around personal ownership, professional standards and external partnerships.

**2.5** The survey also identified several areas where performance needed to improve, notably in relation to people and culture:

- **People:** Staff from the newly integrated Prudential Regulation Authority (PRA) scored significantly less favourable responses compared with other parts of the Bank. There was little robust information on the Bank's pool of talent and the performance of individual staff, inhibiting the Bank's ability to manage its talent. Staff turnover in parts of the Bank was close to breaching acceptable levels. Also, the composition of staff at the Bank was not representative of wider society, with only 2.9% of senior staff identifying as Black, Asian and Minority Ethnic (BAME) at the launch of the strategy.
- **Culture:** The survey identified a silo culture where staff rarely worked with others outside their team or directorate. Feedback suggested that the organisational structure inhibited cross-Bank working and created inconsistency in approaches. It also suggested that different terms and conditions among different groups of staff made it difficult for people to move to other parts of the organisation. Feedback also suggested that staff felt there was a lack of delegation and that the Bank's culture did not encourage staff to challenge the views of senior staff. They felt that this may be driven by the hierarchical structure.

**2.6** The main themes coming out of interviews with senior leaders included:

- **Research and analysis:** There was no corporate process for deciding research priorities, with individual parts of the Bank doing their own thing, linked to a silo culture. This resulted in a fragmented approach and a lack of focus on cross-cutting issues. Different parts of the Bank had access to numerous data-sets but had little knowledge of what these data were and little means of sharing data where it was useful and permissible to do so. These weaknesses had the potential to impact on the Bank's ability to do its job well.
- **Open and transparent:** Interviewees identified a need to improve openness and transparency to improve the public's understanding of what the Bank does. They also noted the Bank could be better at explaining its thinking externally.

**2.7** As a result of this work, the Bank identified five key themes to take action on:

- define the vision and what is meant by 'One Bank';
- increase personal ownership and the scope for appropriate delegation;
- reduce bureaucracy in order to be as efficient as possible;
- ensure an open, accessible and inclusive leadership; and
- invest in creativity.

### Putting the strategy together

**2.8** The Bank followed a sensible and structured process to develop its strategy. There was clear, consistent leadership of the process and outputs. The Governor, deputy governors and chief operating officer, and the Bank's Court of Directors (comprising executive and non-executive members) were involved at important stages of designing the strategy (**Figure 7**).

## Figure 7

Timeline of the 'One Mission, One Bank' strategy's development



Source: National Audit Office analysis of the Bank of England's strategy planning documents

**2.9** The Bank sought the views of employees as the strategy developed. It conducted a consultation exercise, which started with the Governor holding an event for staff to inform them of the process, and a series of subsequent events were held involving staff responsible for developing the strategy.

**2.10** The Bank also sought ideas by looking at how other organisations tackled similar issues. Senior Bank staff visited 11 organisations: for example, Google to learn about its open and transparent culture; P&G to learn about its talent model; and the Met Office to learn how it developed a coordinated data architecture.

### The strategy and its supporting initiatives

**2.11** Our review identified clear improvements arising from the development and consultation process. The Bank settled on 15 principal initiatives, linked to four 'pillars', under the headings 'diverse and talented', 'analytic excellence', 'outstanding execution' and 'open and accountable'. These were backed up by five core values (**Figure 8**). The process of developing the strategy prompted, for example, a fundamental re-think on how to encapsulate the Bank's purpose. This resulted in the development of the 'One Bank' aim, as opposed to the two original statutory objectives, which did not fit with a 'One Bank' vision.

**2.12** We were able to link the planned initiatives back to the diagnosis of issues to address, but the planned initiatives did not, in our view, fully address all the issues.

- Examples where there was a clear link between action and diagnosis: The Bank directly addressed issues relating to silo working and poor mobility and talent management by removing barriers to movement of staff. It did this by harmonising terms and conditions (One Bank, Your Reward initiative) and standardising and improving performance management (rewarding excellence and teamwork and compelling talent strategy initiatives). Similarly, the initiatives under the Analytical Excellence pillar followed from the diagnosis that the research effort had declined and was having a negative impact on the Bank's ability to perform its core functions well.
- Examples where the diagnosis had not been fully addressed: Bureaucracy and decision-making were both highlighted as areas to address in the diagnosis, but neither was addressed specifically as part of the initiatives. While other actions taken were likely to have an impact in these issues (for example, the bank values), it was not clear to us that the process of identifying options for action had drawn a sufficiently strong link back to the problems to be solved.



**Figure 8**

## 'One mission, One Bank' strategy values and initiatives

Strategy pillar	Associated value	Initiatives	Initiative aim
One Bank (overarching aim)	Collaborative	<b>1</b> Building an open, transparent, agile culture	Break down cultural barriers with new ways of working and a commitment to different conduct.
		<b>2</b> Forefront of joint policy decision-making	Maximise impact by working together across the organisation and across the range of policy functions, with an organisational structure and new ways of working that support working as a single institution.
Diverse and talented (pillar 1)	Inclusive	<b>3</b> One Bank, Your Reward	Harmonise pay and conditions across the organisation, to support the internal job market, and provide new terms and conditions.
		<b>4</b> Rewarding excellence and teamwork	Build a performance management framework that delivers clear and honest messages, encourages the right behaviours, differentiates talent and plans appropriate development for all.
		<b>5</b> Compelling talent strategy	Attract and retain the best people at the Bank.
Analytical excellence (pillar 2)	Empowering	<b>6</b> One Bank, Research Agenda	Establish a cross-Bank research agenda which is then published.
		<b>7</b> New approach to data and analysis	Create a virtual research community across the Bank, to examine cross-bank research themes, with clear Bank-wide prioritisation and more cross-functional/cross-policy research.
		<b>8</b> One Bank, Data Architecture	Create an integrated data infrastructure across the Bank, to enable information sharing.
Outstanding execution (pillar 3)	Decisive	<b>9</b> One credible voice in international policy	Play a leading role in shaping the European and global financial system and the international monetary system.
		<b>10</b> Delivering supervision as One Bank	Create an open, collaborative and suitably aligned working relationship between Prudential Regulation Authority Supervision and the rest of the Bank.
		<b>11</b> Execution in core markets	Reaffirm the critical importance of the balance sheet.
		<b>12</b> A safer Bank (cyber and risk)	Ensure cyber security, by conducting a thorough review and fixing any vulnerabilities. Devise a system for managing risk in line with central bank best practice, with particular emphasis on operational risk.
Open and transparent (pillar 4)	Open	<b>13</b> Enhanced central bank transparency	Make central bank transparency more effective, so that the Bank is trusted to be credible and to make difficult decisions, as predictably as possible.
		<b>14</b> Accountable	Ensure the Bank is perceived as accountable to stakeholders.
		<b>15</b> Engaged and approachable	Build and maintain support for Bank's mission, as well as its role in achieving it, to maximise the Bank's effectiveness and legitimacy. Promote understanding and further explain the benefits of operating as One Bank.

Source: Bank of England documents

## Budgets and options appraisal

**2.13** We could not always determine whether the Bank had linked the expected costs to the expected impact of individual initiatives and their sustainability when choosing which initiatives to take forward. Initiatives defined as projects (such as One Bank Data Architecture) went through the Bank's Investment Board, which assessed the likely benefits compared to the aims of the strategy. However, non-project components (such as establishing the Research Hub and creating nine new director posts as part of a reorganisation) were not all subject to the same process even though costs would be incurred.

**2.14** At the time the strategy was presented to the Court of Directors for final sign-off, the initial budget for delivering the initiatives was estimated at £88.5 million. However, this included only incremental costs relating to delivery of the strategy and excluded two initiatives. The costs of organisational change associated with the strategy, for example recruiting new staff, and the cost of moving staff between the London offices, were not included in this figure, nor were the costs associated with initiatives three and 11, totalling £31.5 million.<sup>7</sup> These initiatives were signed-off by the Court of Directors and started prior to the strategy launch. The total cost was therefore not identified separately as part of the strategy when it was approved by the Bank. Adding these figures gives a total initial budget of £120 million.

**2.15** By the end of February 2017 the Bank had, in terms of the incremental costs, spent £72 million on delivering the strategy, including spending on initiatives three and 11. In addition, the Bank had spent £0.9 million on its reorganisation. It expected to spend a further £1.5 million on delivery of the initiatives in March 2017. It also expects to spend £14.8 million in 2017-18 (split between the ongoing One Bank Data Architecture initiative and ongoing costs associated with completed initiatives) and £5.7 million in 2018-19 (also on One Bank Data Architecture). The Bank therefore expects to spend £94.9 million overall, £25.1 million less than initially estimated. This follows further scoping work that indicated less resource was required, for example to deliver its IT and data-related projects.

**2.16** The Bank committed to funding the initiatives through savings arising from a review of its corporate service functions, completed before the strategy, and through using its discretionary project spending budget. The Bank estimated that £15 million per year would be available from the delivery of the value-for-money initiative. The rest of the funding would come from the Bank's pot for project spending that was not ring-fenced for mandatory and regulatory initiatives.

<sup>7</sup> The Bank told us it spent £0.9 million on its reorganisation, but we have not seen any initial budgets.

## Delivery of the strategy

### Governance and oversight

**2.17** The Bank established clear responsibilities for oversight and delivery of the strategy. The Executive Directors' Committee was responsible for delivering the strategy and was accountable to the Governor, deputy governors and Court of Directors. Individual executive directors were given responsibility for each initiative. In addition, each executive director signed a 'leadership behaviours charter' outlining their responsibility to demonstrate behaviours consistent with the strategy. The Bank also established a new Strategic Plan Office, consisting of three to four people, to monitor, coordinate and report on progress, advise on change management and provide support.

### Reporting arrangements

**2.18** The Strategic Plan Office, under the leadership of the chief operating officer, was responsible for putting together and disseminating regular reports; reports on progress delivering the strategy initiatives to the executive directors and reports evaluating achievements to the Court. The content and frequency of reporting evolved over the duration of the strategy. In 2015, RAG (red/amber/green) ratings were introduced for progress reports. These gave a rating for the current and previous period against each initiative. The creation of a Strategic Plan Office gave the strategy prominence, allowed senior management and the Court to have good oversight of the whole strategy and helped to generate momentum. However, its reporting function took place outside the normal business-as-usual arrangements, risking some duplication of effort.

**2.19** The Bank sought to define what 'success' might look like and refined this over time but, in most instances, it did not define how much progress should be made over the strategy period given the investment. A full set of measures, and therefore a complete baseline, was only available in 2015. By February 2017, the Bank was reporting progress against 102 measures, but it is not clear which of these is key to delivery of the intended outcomes or the success of the strategy. Some of the measures are also outputs, rather than outcomes.

## Delivery of One Bank and the 15 initiatives

**2.20** By the end of March 2017, the Bank had delivered a reorganisation of its operation associated with delivering the strategy and had delivered most of the actions set out at the start (**Figure 9**).

**2.21** The Bank undertook a reorganisation in summer 2014, aligned to the strategy. This resulted in more than 700 staff moves within and between the Bank's London offices. A number of teams were integrated to create a more coherent 'One Bank' structure and remove duplicating or overlapping functions. These included a new Prudential Policy Directorate, which merged the Prudential Regulation Authority Policy Area and the Financial Stability Prudential Policy Division.

### **Diverse and talented**

**2.22** We examined delivery more closely under the 'diverse and talented' pillar. The first year of the strategy saw a number of components delivered quickly and successfully. This included a significant reorganisation of roles and responsibilities, delivery of the One Bank, Your Reward initiative to align terms and conditions across the Bank and introduction of a new and standardised performance management system. These initiatives involved a significant amount of work, such as consulting with some 3,600 staff over a four-month period in 2014 and updating all the systems in human resources to accommodate the changes. The Bank also had to deal with sensitive issues, such as harmonising pensions and introducing new awards aligned both to performance and to the new values.

### **Analytical excellence**

**2.23** We also examined delivery in more depth under the 'analytical excellence' pillar. The One Bank Research Agenda was published in February 2015. This marked a change to a more holistic approach to commissioning research. The Bank established a Research Hub in early 2015, with cross-Bank projects being commissioned from May. The Hub comprises a small team of permanent staff alongside staff seconded from across the Bank to work on time-limited research projects. The Hub is an example of the Bank's effort to create a One Bank culture.

**Figure 9**

Progress in delivering the 15 initiatives as at the end of March 2017

<b>Initiative</b>	<b>Delivered?</b>
1 Building an open, transparent, agile culture	Yes
2 Forefront of joint policy decision-making	Yes
3 One Bank, Your Reward	Yes
4 Rewarding excellence and teamwork	Yes
5 Compelling talent strategy	Yes
6 One Bank, Research Agenda	Yes
7 New approach to data and analysis	Yes
8 One Bank, Data Architecture	No
9 One credible voice in international policy	Yes
10 Delivering supervision as One Bank	Yes
11 Execution in core markets	Yes
12 A safer Bank (cyber and risk)	Yes
13 Enhanced central bank transparency	Yes
14 Accountable	Yes
15 Engaged and approachable	Yes

**Notes**

- 1 While initiative 7 has delivered against its original plans, one milestone, added in October 2015, to provide a separate computer network for researchers, will not deliver until December 2018, subject to further prioritisation decisions.
- 2 There are a small number of outstanding milestones against some of the initiatives marked as delivered, but these represent small elements of the overall initiative and have been paused or will be delivered at a later date for valid reasons.

Source: Bank of England documents

**2.24** By the end of March 2017, introduction of the One Bank Data Architecture had some elements in place, but was yet to be completed. Although full implementation was always expected to extend beyond the end of the strategy, there have been delays. In addition, one component of the new approach to data and analysis, added to the delivery plan in October 2015, 18 months after the launch of the strategy, was not complete. The other components of the new approach to data and analysis initiative were delivered.

- The One Bank Data Architecture was regarded as a transformative project at the start of the strategy because of the improvement in access to data-sets it would give staff across the Bank. It turned out to be more complex than initially thought, with the Bank identifying that the new IT would need to support around 182 data systems and 2,700 data-sets. Procurement timescales and the need to hire and train people with the necessary skills, as well as balancing these challenges with immediate business priorities, all contributed to putting the completion date back. The project is ongoing with completion now due by the end of February 2019 and a separate plan for data migration still to be defined and prioritised alongside other projects. The project is expected to cost £18.4 million, less than the initial budget of £20.9 million.
- One component of the new approach to data and analysis initiative was still to be delivered by the end of March 2017. This component, to establish a separate computing network for researchers, was added to the planned actions after the initial strategy approval, with a completion date of March 2017. This component is now not expected to be delivered until the end of 2018, subject to further prioritisation decisions. The Bank does not have a separate forecast cost for this initiative as it has combined it with initiative 6 and together the total forecast cost for both initiatives is £10.8 million. This is less than the initial budget of £14.5 million.

**2.25** Our review identified shortcomings in the way progress was reported within the Bank for these two initiatives. The RAG rating for the One Bank Data Architecture initiative only went red in December 2016, three months before the end of the strategy, although the accompanying narrative to previous reports had flagged potential delays. The RAG rating for the New Approach to Data and Analysis initiative remained green in December 2016, even though the scheduled end date for the remaining component had changed from March 2017 in the October progress report to an indicative date of December 2018 in the December report. A green RAG rating is defined as "the initiative is on or ahead of schedule". It is unclear how the progress assessment for the new approach to data and analysis initiative could have remained green overall with a target date of March 2017 when the narrative in the October 2016 progress report highlighted that some components would not be delivered in this time frame. The Bank's Internal Audit Department also recorded issues with regard to reporting on the strategy in April 2015, including approval and explanation of changes to initiative deliverables and revisions to target dates not being consistently recorded or made clear in reports to committees.

# Part Three

## Impact of the strategy

**3.1** This part examines whether the One Mission, One Bank strategy (the strategy) is delivering the positive outcomes the Bank of England (the Bank) expected.

**3.2** A central aim of the strategy was to change the culture of the Bank so that it aligns with its five new values: collaborative, inclusive, empowering, decisive and open. This includes streamlining decision-making, facilitating collaboration and maximising openness and joint working. The Bank believes that by making such changes it will improve its ability to discharge its responsibilities to “promote the good of the people of the United Kingdom by maintaining monetary and financial stability”.

**3.3** We examined the extent to which the Bank had been able to deliver improved outcomes across its strategy, focusing in particular on pillar one: developing a diverse and talented workforce, and pillar two: achieving analytical excellence. We examined progress against a range of measures.

### Culture

**3.4** We examined evidence on the extent to which the Bank has delivered progress towards its cultural goals. We examine evidence for each of the values below, with the exception of inclusion, which is covered instead at paragraph 3.19.

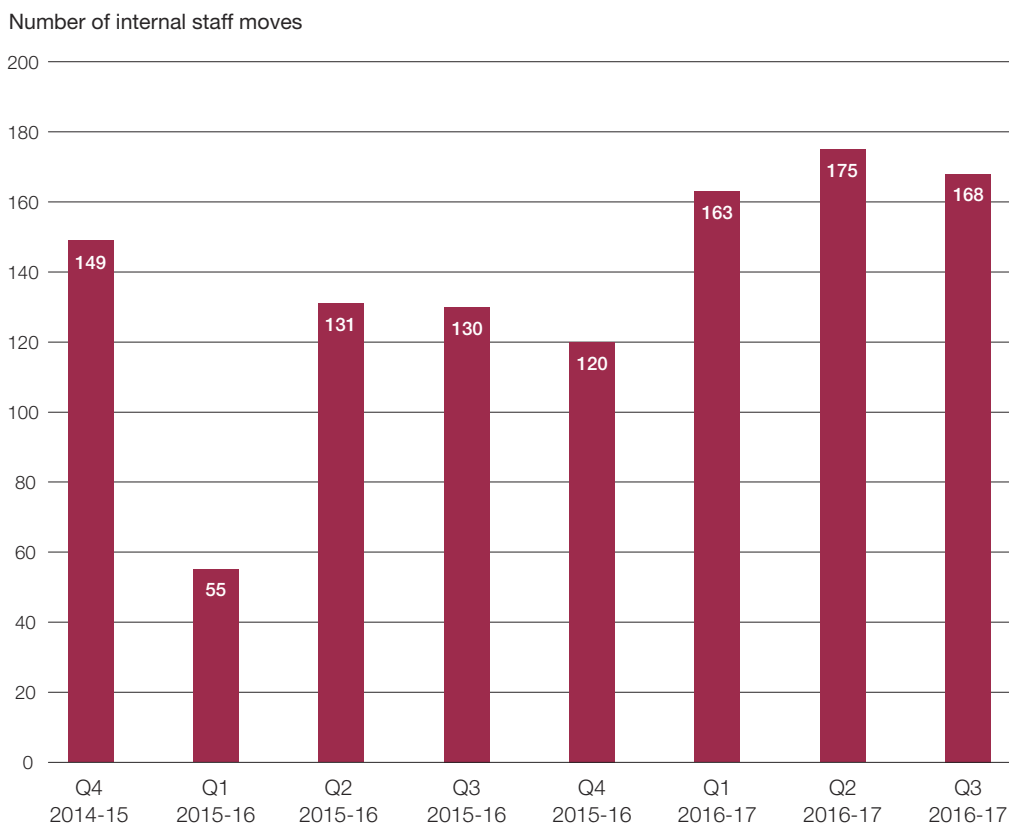
#### Collaborative

**3.5** Individual initiatives provide evidence that there is more collaboration within the Bank, although more systematic measures are harder to come by. For example, the creation of the Research Hub, described at paragraph 2.23, has brought together analytical and research expertise from across the Bank to work on projects. Staff surveys organised by the Bank suggest that collaboration has improved, with favourable responses to this dimension increasing from 67% to 70% across the Bank between 2015 and 2016. Internal staff moves within the Bank, in addition to those that resulted from the reorganisation, have increased slightly overall, from 149 at the end of the fourth quarter of 2014-15 to 168 at the end of the third quarter of 2016-17 (**Figure 10** overleaf).

**3.6** External stakeholders consulted by us suggested that the Bank had improved the way in which it brought its expertise together to address issues. While stakeholders suggested that this could be improved further, they believed that progress was evident.

**Figure 10**  
Bank of England staff moves

Over the course of the strategy period, internal Bank of England staff moves have, for the most part, increased



**Note**

1 The figures show total staff moves between directorates in the preceding quarter.

Source: National Audit Office analysis of Bank of England data

## Empowering and Decisive

**3.7** Empowering staff and streamlining decision-making was seen as a key issue to address through the original strategy. The Bank’s 2013 pre-strategy assessment identified concerns among staff about the extent to which they were empowered to take decisions without referring to managers and concerns about the extent to which the Bank’s processes helped or hindered getting work done.

**3.8** As part of its reorganisation, the Bank looked to reduce its number of non-statutory committees. In April 2015, the Bank’s Internal Audit Department reported that of the 74 committees and working groups identified by McKinsey before the launch of the strategy, 51 continued to meet, two had stalled pending a review and 21 had been disbanded. At this point the Bank was still reviewing its committees and working groups.



**3.9** The Bank has taken other actions that impact on empowerment. For example, it introduced 'author in the room', which seeks to ensure that the author of research or analysis is present when their work is discussed in meetings and committees. In February 2016, the Bank introduced a conversation guide for directors and heads of departments on empowerment and delegation for them to use with their teams.

**3.10** While actions have been taken to help improve staff empowerment, the 2015 and 2016 staff surveys suggest it remains an issue. In the 2016 staff survey, five of the six Governorships returned a less than 50% favourable response to the question 'decisions are made at the appropriate level within the Bank' (with an overall Bank average of 48% favourable). When asked if they have the authority to do their job effectively, 67% of employees answered favourably in 2016. While decision-making is centralised in statutory committees for a reason, the Bank still needs to address staff perceptions. For example, there may be scope to streamline areas of activity, where this can be done without increasing risk, and to communicate clearly to staff its risk management approach and how this affects the level at which decisions are taken.

**3.11** External stakeholders we consulted, while being very positive about the expertise within the Bank, commented that the Bank sometimes appeared hierarchical with staff wanting to refer back to managers even when dealing with less sensitive issues. At times, this tendency has built in delay to any response.

## Open

**3.12** There are clear examples of the Bank increasing its external engagement. However, there is potential scope for the Bank to do more to make the most of the information it gathers from these engagements.

**3.13** The Bank measures itself on a number of areas related to being open and accountable (pillar 4 of the strategy). The Bank regularly gathers public opinion data on a number of issues. In addition, the Bank has increased its social media presence, and visits to its website have increased from an average of 290,972 a month when the strategy was launched to 464,074 as at November 2016. These measures have all showed positive movements since the launch of the strategy.

**3.14** As part of the strategy, the Bank has committed to doing more to listen to external views. A key action related to this was the Bank's 'Future Forum' event that it held in October 2016 to canvass a diverse set of external views. Policy-makers used this event to expand the range of viewpoints to which they are exposed.

**3.15** While the Bank is receiving a lot of information and feedback from a variety of sources, our work suggested that there may be scope to bring all of this information together more systematically to inform its work on maintaining monetary and financial stability. While, for example, the Bank has utilised feedback from the 'Future Forum' event to conduct specific actions (for example, supporting economic and financial education), it is less clear whether the feedback is included within other information used to inform key policy decisions, or whether it is compared with other opinion data gathered elsewhere.

## Diverse and talented

**3.16** The Bank's strategy stated an intention to attract and inspire the best people, and encourage a range of thought by better reflecting the diversity in the UK.

### Progress towards diversity targets

**3.17** The Bank has made progress towards some of its diversity objectives. It has committed itself to more actively monitoring and managing diversity among its staff. It developed and began tracking diversity measures, allowing it to manage its recruitment, performance assessment, promotion outcomes and retention. The Bank subsequently set itself targets, most of which are to be achieved by 2020. By November 2016, the Bank was on course to meet all of its targets, except for Black, Asian and Minority Ethnic (BAME) staff in senior leadership, which was 6.2% against an interim target of 10% by 2020 and end target of 13% by 2022 (**Figure 11** on pages 34 and 35).

**3.18** The Bank has further progress to make. By May 2016, women accounted for 28.4% of senior leadership positions in the Bank, up from 21.2% at the start of the strategy and moving towards its 2020 target of 35%. In comparison, although the grade structures do not match directly, women in senior civil service positions at the end of March 2016 accounted for 40.1% of staff at this level. Similarly, BAME staff accounted for 5.6% of senior leadership at the Bank by May 2016, while the figure in the senior civil service was 7% at the end of March 2016.<sup>8</sup>

**3.19** Our analysis of the Bank's 2016 staff survey data suggested that perceptions among both female and BAME staff had improved compared to 2015, although inclusion issues among BAME staff remain. There are no comparable staff survey figures from before 2015. We found that:

- Female staff had recorded more favourable views (strongly agree or agree) in 35 of the 39 survey questions compared with male staff in 2016.
- BAME staff showed a greater increase in favourable answers between 2015 and 2016 in seven of the 13 dimensions (groups of questions) compared with non-BAME staff. However, in 2016, BAME staff scored less favourable answers than non-BAME staff in the areas of inclusion, and reward and recognition (6% and 6.8% lower respectively). The Bank is aware that it needs to do more to improve inclusion (both in respect of BAME and other characteristics) and in February 2017 it ran an inclusion fortnight, with talks and activities to raise awareness and promote inclusion, including launching its inclusion strategy.

## Integration of the Prudential Regulation Authority

**3.20** One of the reasons for the 'One Mission, One Bank' strategy was the need to embed the then-recent integration of the Prudential Regulation Authority (PRA) into the Bank. The 'organisational health check' identified a noticeably more negative outlook among PRA staff compared with staff in the rest of the Bank. The Bank did not establish any initiatives explicitly related to the PRA as this would have gone against the 'One Bank' mission of the strategy. However, we were told that closing this perception gap was a key issue.

**3.21** The Bank's 2015 and 2016 staff survey results suggest it has made significant progress in closing the perception gap between PRA staff and those in the rest of the Bank. When McKinsey conducted its 2013 survey, prior to introduction of the strategy, the PRA scored lower than any other governorship in six of the nine categories. However, by the 2016 staff survey, the PRA scored within 3.5 percentage points above or below the average bank score for all 13 dimensions of the survey. The Bank's data also suggest that resignation rates among staff working within the PRA have fallen from 11.2% at the end of March 2014 to 8.9% at the end of February 2017. This compares with a Bank-wide resignation rate of 8% in March 2014 and 8.2% in February 2017.

## Analytical excellence

**3.22** The strategy identified the Bank's ambition to be at the forefront of research and analysis. Immediately before the strategy the Bank's analysis and research had mainly focused on short-term priorities related to the financial crisis. The Bank set out its aim to shift the focus back to longer-term capability building, including recruiting and developing a cadre of staff with expertise in key fields necessary to better inform domestic policy and influence global debate.

**3.23** The Bank's research activities have three objectives:

- to inform policy development – the Bank aimed to improve the level and diversity of research available to assist policy-makers;
- to increase the Bank's external profile and influence; and,
- to enhance internal skills and knowledge building – the Bank aimed to develop a deeper pool of research skills, useful in developing and implementing policy.

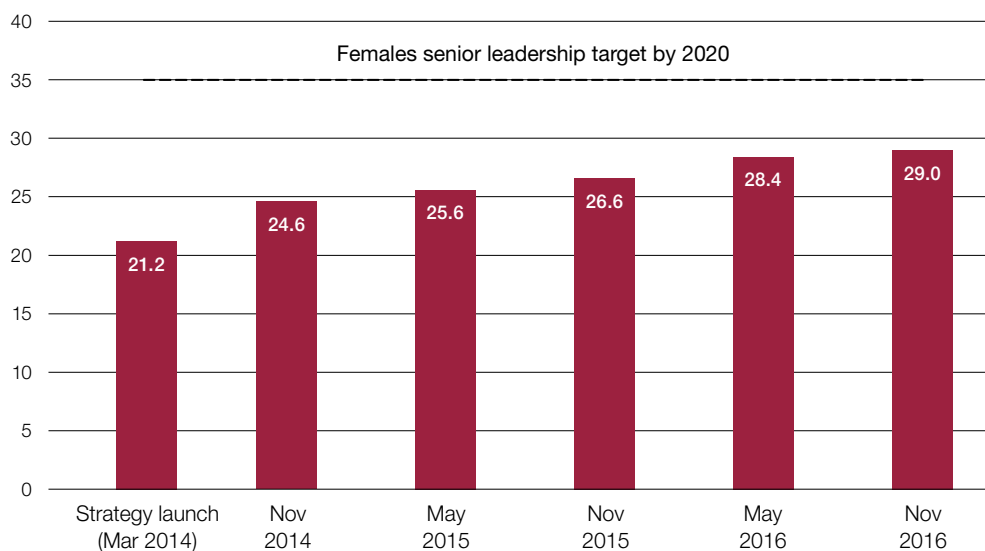
**Figure 11**

The Bank of England's progress towards its diversity targets

Percentage of female staff compared with 2020 targets

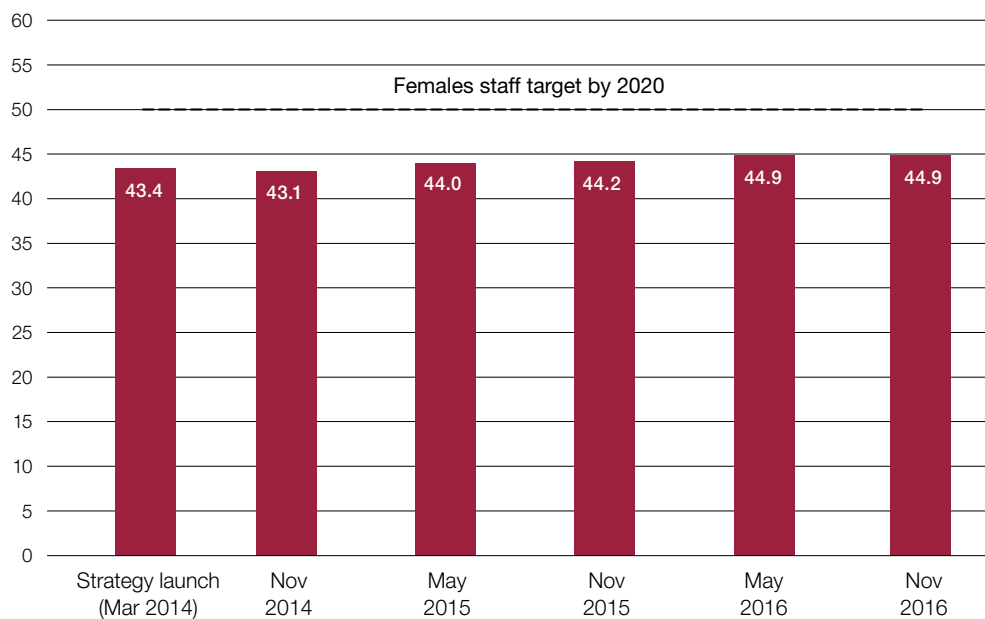
**Female staff in senior leadership positions**

Percentage of total senior leaders



**Female staff below senior leadership**

Percentage of staff below senior leadership



**Notes**

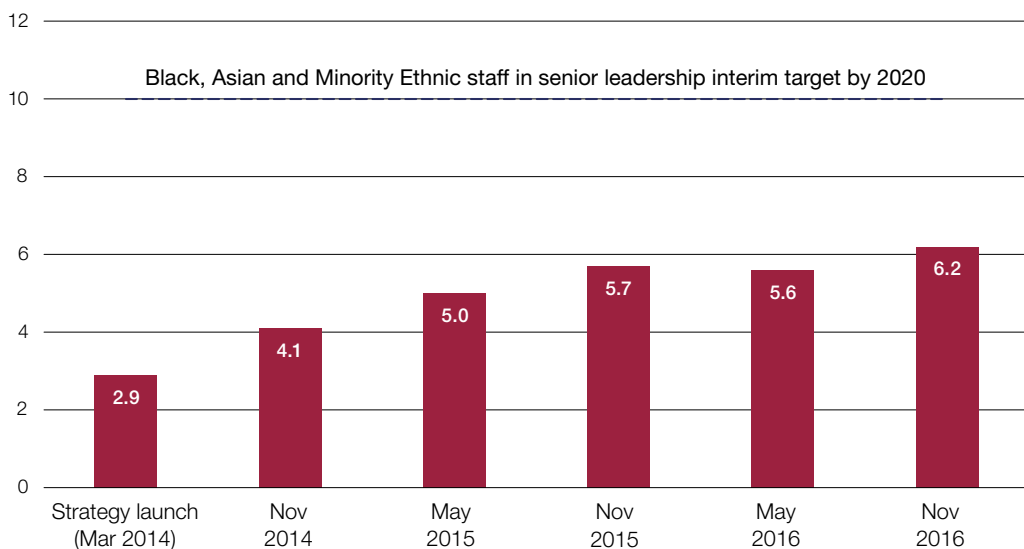
- 1 The Bank has an interim milestone for female staff in senior leadership of 30% by Q2 2017.
- 2 The Bank has an interim milestone for female staff below senior leadership of 46% by Q2 2017.
- 3 The Bank has a further target of 13% senior BAME staff by 2022.

Source: Bank of England evaluation report, February 2017

**Percentage of Black, Asian and Minority Ethnic (BAME) staff compared with the 2020 target**

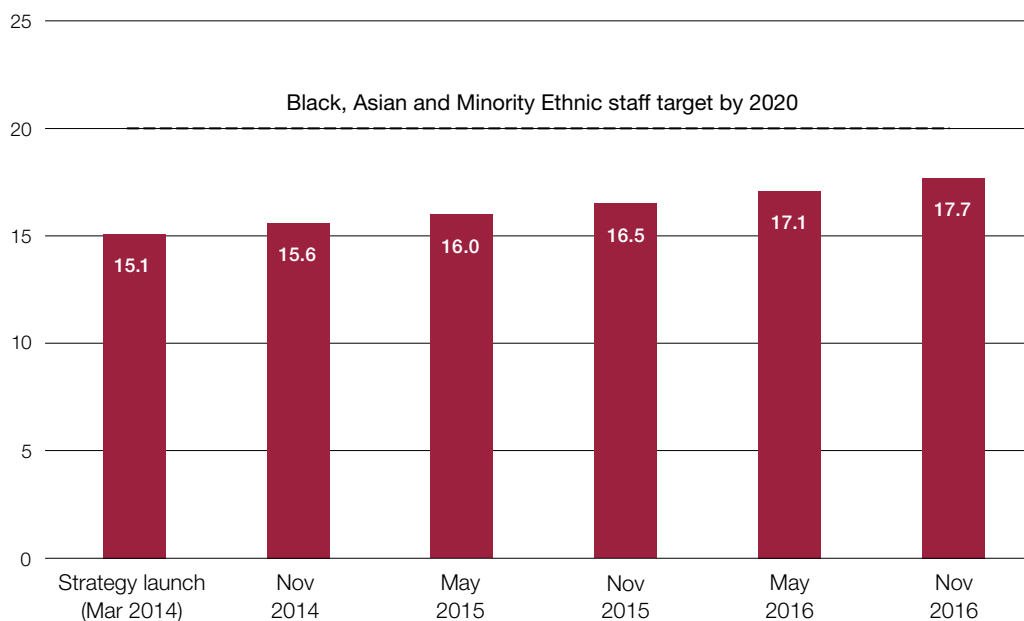
**Black, Asian and Minority Ethnic staff in senior leadership**

Percentage of total senior leaders



**Black, Asian and Minority Ethnic staff below senior leadership**

Percentage of staff below senior leadership



**3.24** The Bank has improved the standing of its research on the international stage against a number of measures. It relies on various measures to assess the strength of its research compared with its peers. These include the ranking of central bank research activities compiled as part of the Research Papers in Economics (RePEc) project and the number of citations in Google scholar. Both measures suggest that the Bank's external brand has improved. Between March 2014 and March 2017, the Bank improved from 19th to 11th in the RePEc central bank ranking (**Figure 12**).<sup>9</sup> Its ambition had been to attain a top 10 ranking by March 2017. Between May 2015 and November 2016, the number of citations rose from 15,786 to 22,215. However, the number of journal articles published has remained stable (**Figure 13** on pages 38 and 39).

**3.25** The improvement in the Bank's international research standing partly reflects an effort to better promote its work. It has increased the number of its researchers registered to participate in the RePEc ranking exercise and has recruited new researchers into the Bank with strong research records. Both actions contribute towards the ranking. Bank staff have also been actively encouraged to put their work forward for publication in the more prestigious economic journals.

**3.26** The Bank has sought to capture the relevance of research to policy-making. Five of the 26 measures used to capture progress related to research in the February 2017 evaluation report focus on the use of research to inform policy development within the Bank (for example, the number of references to research in the Bank's quarterly bulletins, as well as in its inflation and financial stability reports). The remaining measures address the other two research objectives (as per paragraph 3.23). Additionally, the Bank gathers feedback from its statutory policy committees regarding the relevance and quality of research and provides annual updates to the Governor and deputy governors to get agreement for its proposed future research agenda. While these actions are positive, the Bank should continue to develop ways of evaluating the impact of its research activities, on its core functions.

**3.27** It is not possible to assess the potential impact of the Bank's efforts to develop new approaches to data and analysis and create integrated, but distributed data-sets. As described at paragraph 2.24 the action to deliver these improvements to the Bank's infrastructure is still in progress.

9 Available at: <https://ideas.repec.org/top/top.central.html>

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**Figure 12**

Research Papers In Economics (RePEc) central bank rankings as at March 2017

<b>Rank</b>	<b>Institution</b>
1	International Monetary Fund (IMF)
2	Federal Reserve Board (Board of Governors of the Federal Reserve System)
3	European Central Bank
4	Federal Reserve Bank of New York
5	Federal Reserve Bank of Chicago
6	Federal Reserve Bank of St. Louis
7	Bank for International Settlements (BIS)
8	Banca d'Italia
9	Federal Reserve Bank of San Francisco
10	Federal Reserve Bank of Minneapolis
11	Bank of England
12	Banque de France
13	Federal Reserve Bank of Atlanta
14	Federal Reserve Bank of Philadelphia
15	Banco de España

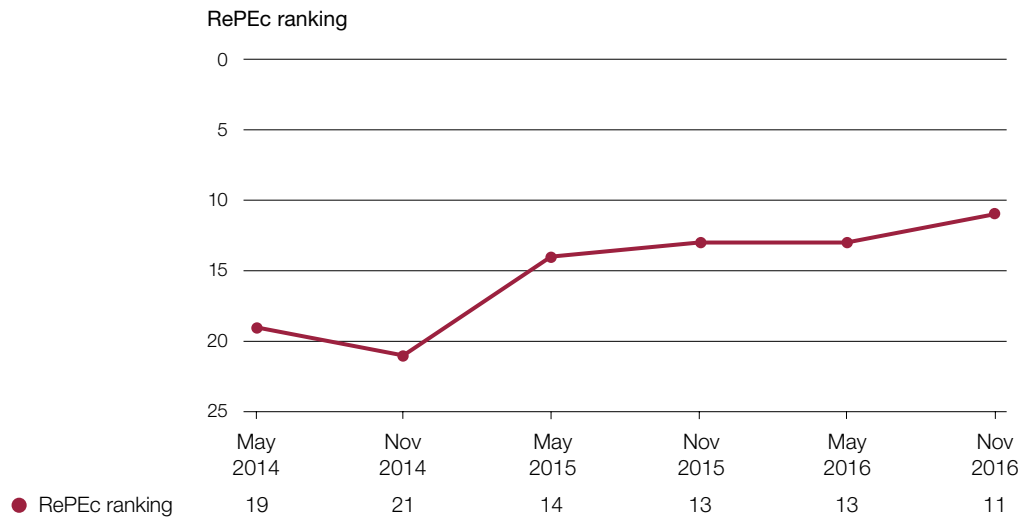
Source: Research Papers In Economics rankings on IDEAS website (<https://ideas.repec.org/top/top.central.html>)

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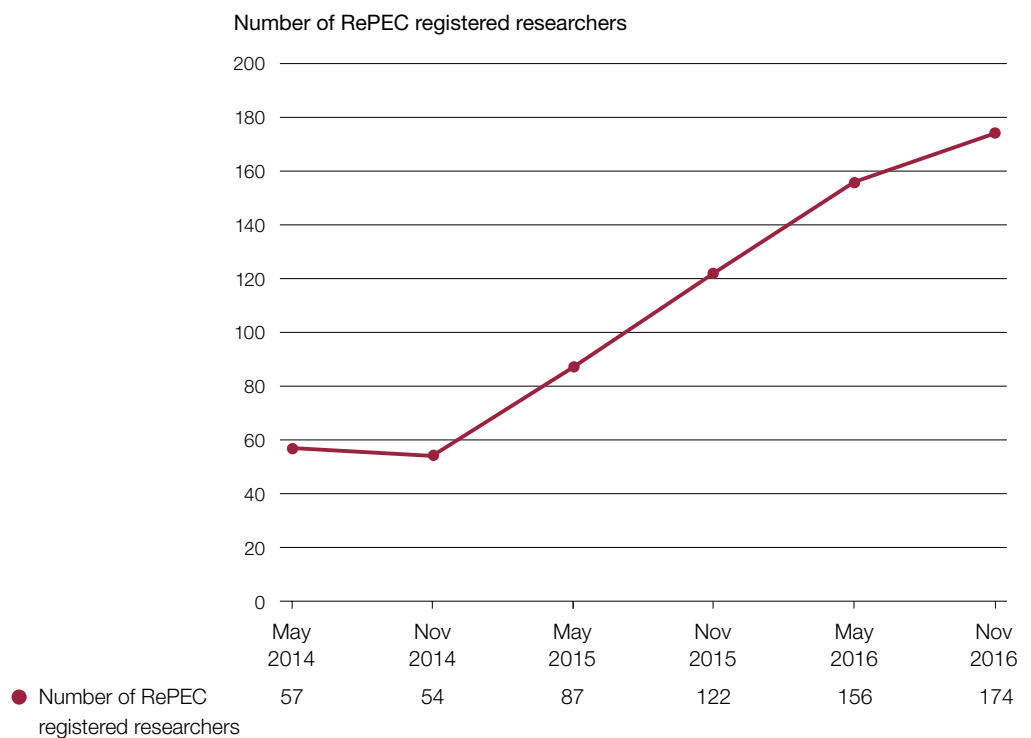
**Figure 13**

Bank of England research measures

The Bank has improved its Research Papers in Economics (RePEc) central Bank rating and number of citations in journal articles, although the number of articles published has not increased from its 2014 level



Number of RePEC registered researchers in the Bank

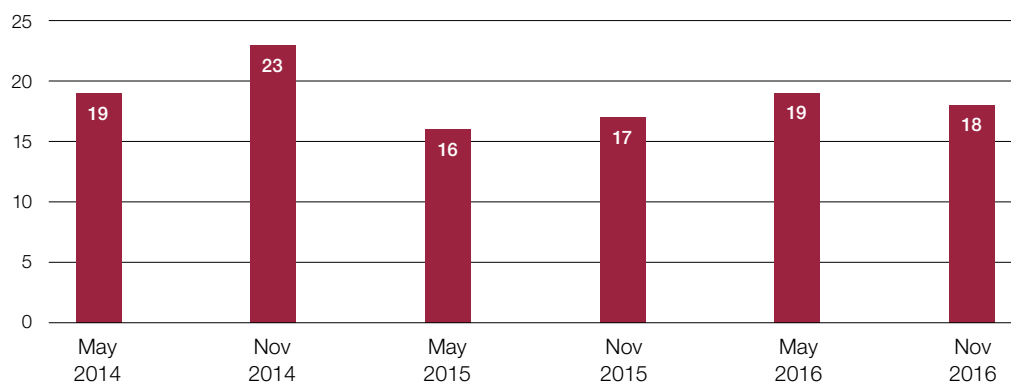


Source: Bank of England strategy performance evaluation report, February 2017



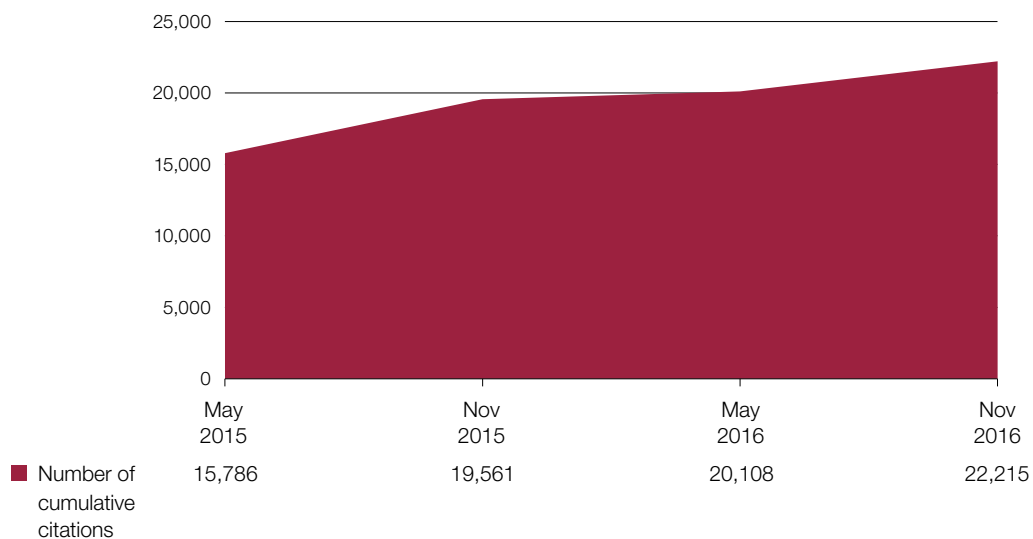
**Number of journal articles published**

Number of journal articles (rolling annual)



**Number of cumulative citations from Google scholar**

Number of cumulative citations



# Appendix One

## Our audit approach

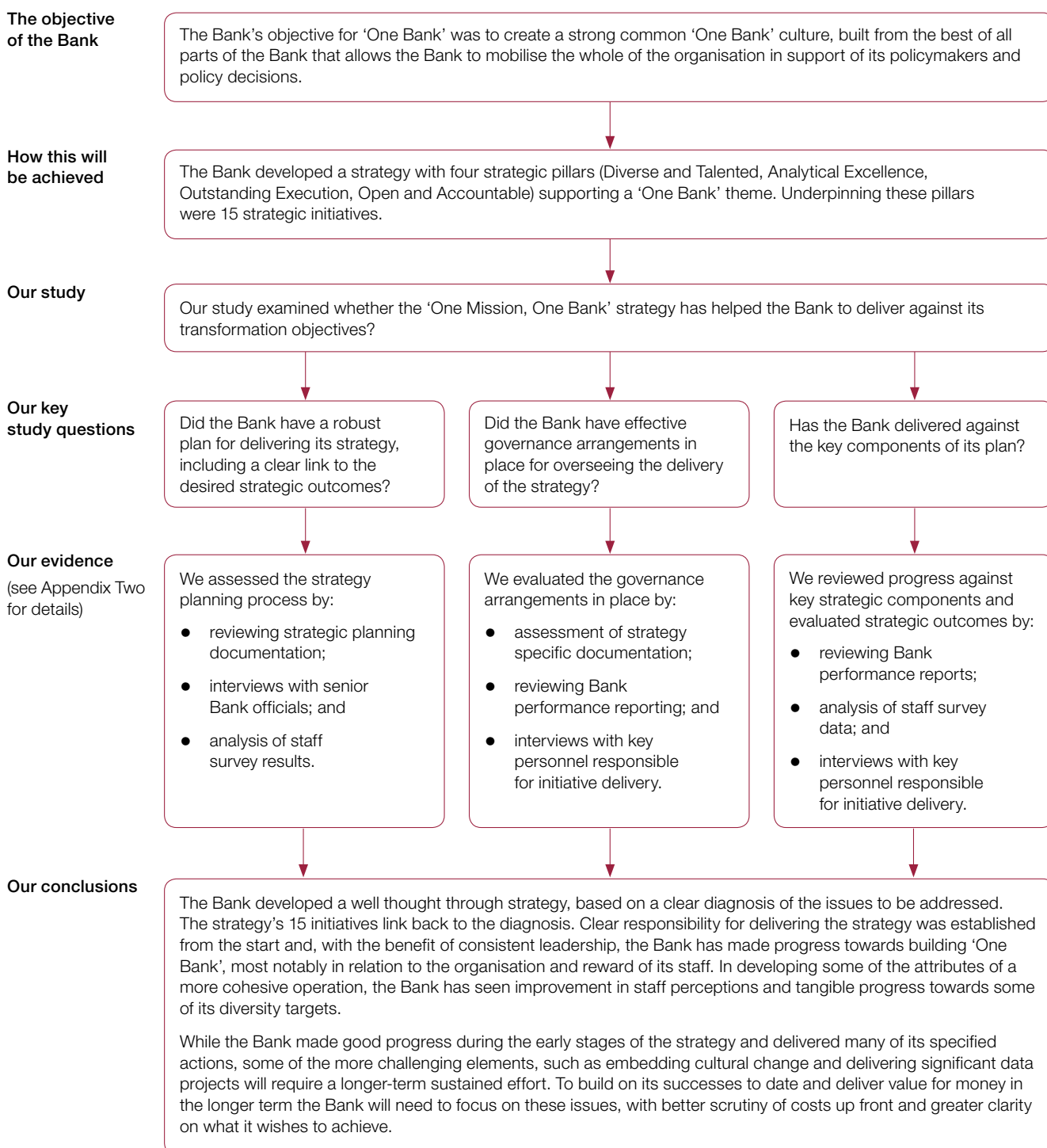
**1** This study examined the background to the introduction of the Bank of England's (the Bank's) 'One Mission, One Bank' strategy, launched in 2014 (Part One). We assessed the development of the strategy and how the Bank oversaw its delivery (Part Two). We also evaluated the impact of the strategy and how it has helped the Bank deliver against its transformation objectives (Part Three). Our key questions were:

- Whether the Bank had a robust plan for delivering its strategy, including a clear link to the desired strategic outcomes?
- Whether the Bank had effective governance arrangements in place for overseeing the delivery of the Strategy?
- Whether the Bank is delivering against the key components of its plan?

**2** Our audit approach is summarised in **Figure 14**. Our evidence base is described in Appendix Two.

**Figure 14**

## Our audit approach



# Appendix Two

## Our evidence base

- 1 Our independent conclusions on whether the 'One Mission, One Bank' strategy has helped the Bank of England (the Bank) deliver its strategic objectives were reached following our analysis of evidence collected between January and March 2017.
- 2 We assessed whether the Bank had a robust plan for delivering its strategy, including a clear link to the desired strategic outcomes:
  - We reviewed a wide range of Bank documentation covering the strategic planning process. This included a consideration of the final business plan. We also reviewed documentation prepared by the strategy planning team, which assisted senior leadership in their decision-making throughout the strategy planning process.
  - We conducted semi-structured interviews with senior Bank officials to discuss the process by which the strategy was developed. This included the chief operating officer.
  - We reviewed inputs into the strategic plan. This included results from the survey conducted by McKinsey and interviews conducted with senior management. We also assessed third party reviews conducted on the Bank.
- 3 We assessed whether the Bank had effective governance arrangements in place for overseeing the delivery of the strategy:
  - We interviewed key Bank officials responsible for specific initiatives to assess the arrangements in place for delivery, oversight and reporting on the initiatives. This included, for example, representatives of the One Bank, Your Reward project team and those responsible for the Research Agenda.
  - We reviewed project-specific documentation and wider strategic reporting documents to assess the processes in place.

4 We assessed whether the Bank has delivered against the key components of its strategy, including an evaluation of strategic outcomes:

- We reviewed the performance reports prepared for the Executive Director Committee and the Court of Directors to measure progress of the completion of strategic initiatives and changes in performance measures. We analysed the movements in key measures reported. This included internal management information (such as reporting of internal staff turnover) and external measures, such as the Research Papers in Economics (RePEc) central bank research ranking.
- We interviewed key Bank stakeholders, including HM Treasury and the Bank for International Settlements, to establish external perspectives of the Bank, in particular in relation to the Open and Accountable pillar.
- We analysed staff survey data to assess the movements in staff perceptions. This included looking at different segments of the Bank's population.

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National Audit Office

Design and Production by NAO External Relations  
DP Ref: 11526-001

£10.00

ISBN 978-1-78604-128-9

