

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 10.04.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	David McPhee (DM), Director of Regulatory Engagement & Policy (item 19/61)
Anna Bradley (AB), INED	
Christine Ashton (CA), INED	Geoff Close (GC), CRO (items 19/55 – 19/56)
Jean-Yves Rotté-Geoffroy (JY), INED	
Nathalie Oestmann (NO), NED	Simon Deschenes (SD), Head of Finance and Operations Support (items 19/58 – 19/60)
Paul Horlock (PH), CEO	
Peter Wyman (PW), INED	
Richard Anderson (RA), INED	Vanessa Graham (VG), Senior Legal Counsel
Rob Stansbury (RST), Senior INED	David Gilbert (DG), Company Secretary
Russell Saunders (RSA), NED	
Tim Fitzpatrick (TF), INED	
Apologies	
Matthew Hunt (MH), COO	

19/55 Opening items

Quorum – MJ opened the meeting and noted that a quorum was present in accordance with the Company's Articles of Association.

Conflicts of Interest – Each Director present confirmed that they had no direct or indirect interest in any way in the proposed transactions to be considered at the meeting which they were required by section 177 of the Companies Act 2006 and the Company's Articles of Association to disclose.

Registers – The Register of Directors' Interests was considered. The Directors present confirmed that the updated Register of Directors' Interests circulated at the meeting was accurate in respect of their respective situational interests.

The register of gifts and hospitality for March 2019 was tabled and noted by the Board.

Minutes & Matters Arising – The draft minutes of the Board meetings held on 27 February, 13 March & 29 March 2019 were considered. Subject to a number of minor corrections and amendments to clarify the text, the minutes were approved.

The Board referred to the schedule of matters arising and noted the progress made. A briefing session on Access had now been arranged to follow the May Board meeting.

19/56 CEO's Report

PH presented his monthly report and commented on the main points. Work on further cementing the target operating model was continuing and PH advised that consultants had been retained for a further period to ensure that an appropriate handover of roles and responsibilities was undertaken and to maintain a secure and resilient environment.

The continuing activity within the NPA Programme was discussed. The team remained busy with work currently focused on the preparation of the RFI documentation.

PH advised that work on international engagement was continuing and the Board would be kept informed of progress.

PH noted the work that had been undertaken by the Executive on culture. MJ suggested that an updating paper on the culture work undertaken through the colleague survey and external consultants workshops, be brought to a future Board meeting for information. This was agreed.

ACTION: PH/JC

Operations had had a good month. An external incident with ICS had been managed well by the team. The Board considered the current position regarding the contracting of aggregator service providers with FPSL and noted the action being taken. GC and NO confirmed that greater detail on the role of aggregators would be covered as part of the Board update session in May.

PH informed the Board that both FMID and the PSR continued to be engaged with the New Payments Architecture and commented on their respective expected outcomes as part of the procurement process. RA noted that the summary of regulatory engagement did not show the regular meetings with HMT and it was agreed to include these in future reports.

ACTION: PH

[Redacted - commercially sensitive]

AB noted that members of the EUAC had been appointed to the ISCC and queried whether this was appropriate from a governance perspective, given the differing advisory roles of the two committees. She noted that the appointments had not been agreed by EUAC and suggested that the position required further thought. This was agreed, PH would refer back to James Whittle and report back on action.

ACTION: PH

PH advised that a number of communication roundtables had been arranged. A successful meeting had been held in Manchester the previous week and the team would be engaging with participants in Belfast shortly.

PW queried how the Board's oversight of the people agenda was currently being manifested and suggested that further thought be given as to how such engagement was undertaken. Similarly, the Board requested that they were more involved in the culture work that was currently in course.

It was noted that reflections following the Board's site visits to Vocalink's operational centres in November 2018 and January 2019 had been included in the meeting pack for information. The importance of maintaining a good working relationship with Vocalink given their importance as a significant supplier to the business was noted.

GC left the meeting

19/57 Legal Report

VG referred to the Legal dashboard that had been circulated for information. She highlighted that the team continued to be busy supporting the business in a number of areas. In addition, there were a significant number of large projects in course. The team was using short term resource to manage the demand although additional headcount was required as a longer term solution.

Noting the report, the Board requested that key messages be highlighted in the coversheet for future meetings. **ACTION: JJ**

A paper circulated under legal privilege was noted.

VG commented on the current position regarding the leases of 2 Thomas More Square. She noted that a rent review of part of the space currently occupied was due later in the year and that agents had been appointed to assist with the negotiations.

PH referred to the paper regarding the admission of two additional Guarantors and reminded the Board of the current Guarantor on-boarding policy and the due diligence process that had been followed. After discussion, it was agreed that one applicant be admitted immediately and the second, who was currently going through regulatory approval, be accepted subject to that approval being granted. The Secretary was authorised to update the Company's register of guarantors and dispatch admission letters and Guarantor certificates accordingly.

SD joined the meeting

19/58 s.195 Recovery Plan

SD took the Board through the key area of the Recovery Plan. He reminded the meeting that the Plan had been reviewed and considered by the Finance Committee and by the Risk Committee. He noted, that were the Plan ever to be called upon, it would be owned by the CRO with its governance overseen by the Executive Committee and with decision-making reserved to the Board.

The proposed early warning indicators for the Plan were considered and discussed. It was noted that each indicator had an owner and was monitored using a RAG status.

SD commented on the various recovery tools at the Company's disposal. These included reducing project spend, reducing staff costs and increasing the 'price per click' tariff. NO challenged whether all of the proposed options were realistic in all scenarios, noting that an increase in tariff would not be viable in the face of increased competition whereas it might be possible to renegotiate supply costs. SD confirmed that the paper was produced using accepted practice and was designed to demonstrate the range of possible options but accepted that the renegotiation of costs was a further lever that was available and would be reflected in the final Plan.

19/59 Payment of Invoice

SD referred to a payment [Redacted - commercially sensitive] in respect of a VAT payment to HMRC that was due but which was in excess of the delegation of authority limits. He explained the background to the payment which had arisen due to timing differences and advised that there would be a partial recovery in due course. The Board approved the payment and confirmed that future VAT payments, which were effectively funds collected from participants for onward transmission to HMRC, could be authorised by the Finance Committee and then reported to the Board for noting.

19/60 Bank Mandates

SD advised that changes to the Bank Mandate were required following the implementation of TOM 2.0 and a number of staff changes. The opportunity was also being taken to review the current signing levels for both cheques and the approval of batched electronic payments.

Following the TUPE and TOM work the Board noted that, as proposed, there was a theoretical possibility that collusion or undue influence could be perpetrated and that, to protect those involved, a revised signing matrix should be implemented. After further discussion, the following limits and signature matrix were agreed:

[Redacted - commercially sensitive]

It was noted that the mandates were in addition to the delegated authority controls that were in place to approve the expenditure.

It agreed to keep the Mandate under review and to revise as required in the light of experience.

SD left the meeting

DM joined the meeting

19/61 Authorised Push Payments (APP) Scams

PH provided the Board with the background to the APP scam issue, noting that the matter had previously been considered by LGAS. A letter had now been received from UK Finance, setting out the framework for further discussions to be held regarding 'no blame' events. PH advised that the process could ultimately lead to UK Finance formally requesting that a change to the scheme rules be considered.

DM provided an initial assessment of the UK Finance request and summarised the key messages that it was felt should be included in any response. The Board confirmed that Pay.UK fully supported the need for there to be consumer redress for APP scams and would look to work with all concerned in a positive way that was consistent with its role and responsibilities. However, it was for the industry to put forward its rationale as to why a mandatory charge for a voluntary scheme was appropriate. The mechanics for collecting and administering any levy raised also needed clarity as this was outside Pay.UK's remit.

Summarising the subsequent discussion, it was agreed that the nuance of the formal Change Request when it was received would be key. It was therefore important that a constructive and positive dialogue with all involved be held in advance of any request being received.

DM left the meeting

19/62 Open Banking

PH updated the Board regarding discussions with the Trustee for Open Banking. He noted that the main priority had been the delivery of the directory work relating to Confirmation of Payee.

[Redacted - commercially sensitive]

19/63 Succession Planning Principles

The paper from JC setting out the proposed approach to Board succession planning was noted. MJ reminded the Board that contingency arrangements for the Board had been produced and that it was appropriate for a longer term view on anticipated Board changes be developed. It was agreed that the matter be referred to the Nomination Committee for detailed proposals to be based on those principles to be formulated. **ACTION: MJ**

19/64 Terms of Reference

The revised Terms of Reference (ToR) for the Board were considered and VG highlighted the proposed changes. After due consideration, the revised Board ToR were approved.

It was noted that the revised ToR for the NPA Programme Committee included a change of name to reflect the revised focus as a subcommittee of the Board and of its emphasis on more strategic matters and oversight whilst the day-to-day implementation and execution was delegated to the Executive Programme Management Group (EPMG). After further discussion, the NPA ToR were

approved with the suggestion that a structure chart showing the various NPA elements be included as an appendix to aid understanding.

19/65 End User Advisory Council Report

AB advised that the Council had met since the last Board meeting. Topics considered had included a discussion on standards and how these would be delivered to meet end user outcomes. The Council had also considered the various connections with end users and had reflected on research that had been undertaken for CASS on the topic.

AB noted that the Council's first Annual Report was being finalised. It was agreed that this should be circulated to Board members to ensure its factual accuracy. The Board considered how it would acknowledge and respond to the Report – either as a separate document or as part of the annual financial statements.

JY left the meeting

It was agreed that an annual timetable showing the proposed timings of the Council Reports, Financial Statements and AGM be drafted for the Board's consideration. **ACTION: PH & DG**

19/66 NPA Programme Report

CA commented on the amount of work undertaken by the team to deliver the PQQ and thanked all those involved. She highlighted that the next stage of the procurement process was crucial and that clarity of question and response in the RFI was paramount.

The work being done to realign the NPA in line with TOM 2.0 was considered. CA reported on the very successful offsite that had been held with the team, particularly the session on working in a matrix organisation.

[Redacted - commercially sensitive]

CA noted that further work was also required to ensure that all Board members were sufficiently appraised of developments and issues within the NPA Programme.

AB left the meeting

19/67 Audit Committee Report

TF referred to his briefing paper and highlighted the key areas. There were no overdue audit actions to report. The transformation process continued and there was focus on the development of departmental procedures and processes.

19/68 Risk Committee Report

RA advised that a review of systemic risk had commenced which would assist and inform decisions being made across the business. A risk and control self-assessment workshop had been arranged and the cyber strategy was also being further developed.

19/69 Finance Committee Report

PW referred to his report and advised that there were no specific matters to bring to the Board's attention.

19/70 Legal, Governance & Strategy Committee Report

RST commented on the main matters considered by the Committee as detailed in his report. There were no matters to escalate to the Board.

19/71 Managed Service Committee Report

PW advised that the MSC had met since the last Board meeting. RA commented on the very effective use of videos as part of the knowledge transfer process demonstrated by the C&CCC team.

19/72 Remuneration Committee Report

RST reported that the Committee had met to consider a number of matters since the last meeting.

19/73 Nomination Committee Report

MJ reported that the Committee had met to interview potential consultants to undertake the external Board review. A preferred consultancy had been appointed and would be engaging with Directors over the coming weeks.

19/74 Any Other Business

Future Agendas – the draft agenda for the April 2019 Board meeting, the meetings calendar for 2019 and updated agenda planning schedule were noted.

Email Addresses – MJ reminded the Board that only Pay.UK email addresses should be used for communications and sensitive materials (other than diary invitations).

Meeting Dates – MJ noted the current demands that were being made on Directors' time but requested that all respond in a timely manner to requests for availability. She advised that any cancelled meetings would be kept in diaries as potential placeholders for any procurement-related decisions.

Document Management – It was noted that several INEDS were having difficulties reviewing and commenting on documents given the current restrictions on company tablets and similar devices. It was agreed that the position be reviewed.

ACTION: DG

There being no further business the Chair closed the meeting.

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Chair