

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 12.06.2019**

Directors	Attendees
Melanie Johnson (MJ), Independent Chair	Catherine Stalker (CS), Independent Audit Limited (item 19/87)
Anna Bradley (AB), INED	Chet Behl (CB), Strategic Adviser (item 19/90)
Christine Ashton (CA), INED	Geoff Close (GC), CRO (items 19/86– 19/88)
Jean-Yves Rotté-Geoffroy (JY), INED	Jane Hayes (JH), Independent Audit Limited (item 19/87)
Matthew Hunt (MH), COO	Jenny Crawford (JC), CPO (items 19/86 – 19/88)
Nathalie Oestmann (NO), NED	Joe Johnson (JJ), General Counsel
Paul Horlock (PH), CEO	Toby Sheldon (TS), Director of Communications (item 19/89)
Peter Wyman (PW), INED	Vanessa Graham (VG), Senior Legal Counsel (item 19/93)
Richard Anderson (RA), INED	David Gilbert (DG), Company Secretary
Rob Stansbury (RST), Senior INED	
Russell Saunders (RSA), NED – by telephone	
Tim Fitzpatrick (TF), INED	

19/86 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 with regards to their respective situational interests. RST reminded the Board that revised reporting arrangements were being introduced and that Directors would shortly be receiving updated attestations for their consideration.

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

Minutes & Matters Arising – The draft minutes of the Board meeting held on 8 May 2019 were considered and approved.

The Board referred to the schedule of matters arising and noted the progress made.

CS & JH joined the meeting

19/87 Board Effectiveness Review

Introducing their report, JH highlighted the amount that had been achieved by the Board and executive team since the Company's inception, against a challenging backdrop of a continually evolving ecosystem and a range of regulatory objectives. She commented on the positive interaction between Board members and the constructive debate and challenge that had been evidenced at the Board and Committee meetings that the team had observed as part of their review.

Noting that the Board now had the basics in place and that work was underway to improve such areas as strategy, KPIs and reporting, JH suggested that there were a number of development points for the Board to reflect upon as it considered how best to position itself for the future. A key theme was that, in the mobilisation phase of Pay.UK it had been necessary for the Board to focus on more detail than would normally be the case; now that the Executive was up to strength it was time for the Board to step back somewhat and focus on more strategic matters. A range of recommendations was discussed.

Summarising the discussion, MJ noted that the report had been very helpful as it provided the Board with useful feedback and a number of constructive suggestions to consider. She confirmed that the Board would benefit from the review and thanked those who had undertaken it for the way in which the report had been researched and presented. MJ confirmed that responsibility for considering how to follow up on the report lay with her and RST. It was expected that an initial development plan would be brought to the Board's strategy day in September.

CS & JH left the meeting

19/88 CEO's Report

PH presented his monthly report and highlighted the key areas. In relation to the full realisation of TOM2.0, he noted that the on-going ring-fencing of C&CCC (due to the completion of the ICS migration) was causing this to be delayed. The Board was keen to ensure that an appropriate announcement had been made to staff as to the reasons why the full implementation of TOM 2.0 had been delayed and MH agreed to update staff explaining the current position. **ACTION: MH**

PH advised that the RFI for the NPA procurement exercise had been issued at the end of May. He noted that the CEO and COO had attended a PSR Board meeting the previous day to update on progress with the NPA. PH & MH summarised the discussion, noting that the PSR board were

grateful for the update, in particular recognising the challenges around a programme of this scale being delivered by a new organisation.

PH informed the Board that the NPA programme was currently undergoing an External Review, which would inform future structure and plans. An update would be provided at the July Board meeting.

The current position regarding APP scams was noted. PH advised that a further change request from UK Finance had been received the previous week and was currently being considered.

PH referred to the work being undertaken by the external consultants to assist with the delivery of the culture transformation. The values that had been agreed at ExCo as part of the process were considered. JC explained that as part of the engagement process with colleagues, the key elements of the previous organisations had been captured and had been used as an input by the executive to develop the current proposed value-set. During the subsequent discussion, it was reiterated that it was for the Board to set the tone and present the values that it felt to be appropriate for colleagues to adopt. It was then for the executive to implement and deliver. It was agreed that the Board would be provided with an update on the cultural work being undertaken for comments prior to the next Board meeting.

ACTION: JC

JC & GC left the meeting

TS joined the meeting

19/89 NPA Narrative

TS referred to the NPA Narrative which had been listed in the meeting papers and explained how this was being developed. The Board considered the key messages and made a number of observations and proposals to clarify the text. TS advised that as part of the development work, a high level proposition was being developed that would be the basis on which the NPA scope would be agreed with all stakeholders.

TS left the meeting

19/90 General Counsel's Report

JJ referred to her report and commented on the key issues currently being managed by the team. These included Facilities Management, the continuous improvement exercise initiated by the Corporate Governance team and the development of Pay.UK policies.

JJ advised that work on a revised Competition Policy was underway and that this would be brought to a future Board meeting for approval.

As part of the continuous improvement work, JJ reported that the team was working to improve the quality of the information presented to the Board and its Committees. PH noted the challenge

that faced the business and his desire to improve upon the information produced. A revised meeting paper template would be introduced that required the presenter to provide additional information to assist with the decision-making process.

CB joined the meeting

CB referred to the proposed transfer of the obligation to provide certain services to the Cash Services Group (**CSG**), together with certain assets owned by UKPA used in the provision of those services and the TUPE transfer of Pay.UK employees who support the provision of those services to CSG to UK Finance Limited (UK Finance) on 1 July 2019 (the **Transaction**).

There followed detailed discussion of the terms of the Transaction, including the apportionment of liability between Pay.UK/UKPA and UK Finance for actions taken in relation to the provision of the services pre and post the completion date.

Russell Saunders declared an interest and did not vote on the following:

After careful consideration, the Board:

- (a) Approved the terms of the Transaction and the entry into by Pay.UK of the documentation relating to the Transaction, including but not limited to the transfer agreement between Pay.UK, UKPA and UK Finance and a letter of comfort from Pay.UK to UKPA (**Transaction Documents**);
- (b) Authorised Paul Horlock or Matthew Hunt to take all steps necessary to execute and deliver the Transaction Documents on behalf of Pay.UK (subject to such amendments, modifications, variations and alterations as those executing the same thought fit).

CB left the meeting

19/91

[Redacted – commercially sensitive]

19/92 Guarantors

PH advised that applications had been received from The TALL Group of Companies Limited and from Eazy Collect Services Limited who wished to become Guarantors. He advised that both firms were known to the business and in addition noted the due diligence that had been undertaken on both companies in support of their applications. After due consideration, both applications were

approved and the Secretary was authorised to update the Company's register of guarantors and issue admission letters and Guarantor certificates.

PH reported that the Company had become aware that one of its Guarantors, Tusmor Limited, had ceased trading. In accordance with the Policy, it was proposed to contact Tusmor and advise them that they would be removed from the Company's Register of Guarantors. This was agreed and the removal of Tusmor Limited from the Register of Guarantors approved. PH further advised that correspondence had been received from Elevator UK who had informed the Company of their wish to withdraw as a Guarantor. The Board considered the request and confirmed that Elevator UK be removed from the Register of Guarantors.

VG joined the meeting

19/93 Use of Delegated Authority

VG presented the quarterly review of the use of the authority delegated to the CEO by the Board and any subsequent delegations for the period March – May 2019. The Board considered the level of detail that was required for it to be able to effectively carry out its oversight responsibilities. PH confirmed that he was comfortable with the level of oversight that he had in the delegated approvals process but would consider how this could be better presented to the Board to provide the requisite proof that the controls were working appropriately. RST highlighted that LGAS also had an action to consider the level at which the usage of the delegated authority was to be monitored at.

VG left the meeting

19/94 Committee Reports

EUAC – AB commented on the matters discussed at the recent End User Advisory Council meeting. PW noted that he had attended the meeting as an observer and remarked on the range of expertise of the Council members that had been recruited.

PAC – JY advised that the Participant Advisory Council had considered the proposed KPIs and had provided constructive feedback. The Council had also reviewed its Terms of Reference. There had been a request for there to be a regular report from the Pay.UK Board and MJ advised that she was considering how this would be achieved.

It was noted that both Councils wanted to be more engaged on strategic issues and for this to feed into Board debate. RST commented that the intention of the DG Report was for there to be regular interaction with the Councils on strategy.

Risk Committee – RA referred to the monthly report and highlighted that the CPMI IOSCO self-assessment had been submitted and had received a positive response from FMID. He acknowledged the amount of work that had been involved to produce and deliver the report. RA

noted that further work was required to improve the inputs for the Security Sub-Committee. He noted that the Security Sub-Committee had been concerned regarding the speed with which system updates were applied and this was being raised with the external providers.

NPA – CA provided feedback from the May NPA Committee meeting, noting that a re-plan was underway to ensure that resources and timings were appropriate to deliver the Programme. The RFI had been issued on time and JY commented on the position regarding the current procurement process and provided some market feedback to the Board. PH highlighted the need to maintain the momentum and challenge, but to maintain the safety of the programme.

Finance Committee – PW commented on the main issues considered by the Committee. He advised that FMID had responded positively to the capital accumulation proposals and timeframe. The Committee would be discussing the requirement for an additional working capital buffer in due course.

LGAS – RST reported that the declaration of interest process had been updated. Revised declarations would be sent to all directors and they were requested to consider these in conjunction with their existing statements and to confirm that they were accurate and up-to-date. The closure criteria for the paper clearing of cheques had been considered and the Committee had noted the good practice adopted in the approach methodology. [Redacted - commercially sensitive]

Audit Committee – TF advised that as revised processes were better embedded, the Committee was now able to focus more on the overarching audit outcomes. There had been an engaged debate regarding the presentation of the findings of the Anti-Bribery and Corruption audit at the last Committee meeting. TF noted that the Internal Audit team continued to undertake work for FMID and that this was being monitored to ensure that the balance remained appropriate.

There being no further business the Chair closed the meeting.

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Chair