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**Pay. UK Limited**

**Minutes of a meeting of the Board of Directors held on 26 July 2023**

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	Michael Ellis (ME)	Chief Finance Officer
Anna Bradley (AB)	Senior Independent NED	Kate Frankish (KF)	Chief Business Development Officer
Diane Côté (DC)	Independent NED	Carolyn Gibson (CG)	Head of Corporate Governance
Helen Crooks (HC)	Independent NED	David McPhee (DM)	Chief Policy & Engagement Officer
Marc Pettican (MP)	NED	David Morris (DMO)	Chief Technology Officer
David Pitt (DP)	Chief Executive Officer	Sherree Schaefer (SS)	Chief People & Culture Officer
Lesley Titcomb (LT)	Independent NED	Shane Warman (SW)	NPA Programme Director
Lars Trunin (LTR)	NED	Louise Rebuck (LR)	Corporate Governance
Ajay Vij (AV)	Independent NED		
Peter Wyman (PW)	Independent NED		
		Externals	
		Simon Eacott (SE)	Chair of SPG

*\*Board members and attendees met remotely by video conference*

**23/57 Opening Business**

- 23.57.1 Quorum and welcome –The Chair confirmed a quorum was present and referred to the ongoing need for heightened confidentiality.
- 23.57.2 Conflicts of Interest – MGH reminded directors that under the CA 2006 and Pay.UK’s Articles of Association (the “Articles”), directors were required to declare their interests to the other directors in any proposed transaction or arrangement with Pay.UK. MGH highlighted the importance of directors ensuring their entries in the Register of Directors’ Interests were correct.
- 23.57.3 The Register of Directors’ Interests and the Gifts and Hospitality Register were made available for members’ review prior to the meeting.
- 23.57.4 LT confirmed that she had been appointed Chair of Market Harborough Building Society and LTR that the non-object for his appointment to the Board of Wise Payments Limited had been received from the FCA. HC added that she was advising Anmut on data strategy applications.
- 23.57.5 Subject to a minor amendment to section 23.39.20 the minutes from the meeting held on 31 May 2023 were approved.

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23.57.6 The minutes from the meeting held on 14 July 2023 were also approved.

*MP joined the meeting.*

23.57.7 CG added that an updated version of the action log showing further progress of actions raised at the meeting on 14 July would be made available on BoardEffect after the meeting. **ACTION: LR**

23.57.8 Approvals since the last Board meeting – MGH highlighted that the investment policy and the Modern Slavery Statement had been approved offline. He added that the custodian and investment manager had been appointed.

### **23/58 Committee Reports**

#### Joint Audit & Risk Committees

23.58.1 [Redacted – Commercially sensitive].

#### Risk Committee

23.58.2 DC stated that the Committee had discussed emerging risks and had requested a deep dive on Artificial Intelligence and the risks and opportunities it presented to Pay.UK.

23.58.3 Management had been asked to bring forward the work required to comply with new outsourcing regulation. DC added that the current Procurement Policy would be brought to the Committee for approval in September.

*PW joined the meeting.*

23.58.4 [Redacted – Commercially sensitive]

#### Audit Committee

23.58.7 PW highlighted the three open internal audit actions discussed at the meeting. He added that they were referenced in the CEO report and contained no matters for Board to be overly concerned about.

23.58.8 PW added that the Investment Policy had been approved.

23.58.9 Referring to the Protiviti summary of its External Quality Assessment (EQA) assessment MGH noted the Internal Audit function as ‘generally conforms.’ When looking at the report and the maturity of the function he added there was progress to be made. PW stated that the function had been marked down as the Annual Report had not been completed when Protiviti carried out its field work. He added that Gerry Mansey understood what needed to be done including the work to build the team. A light update review would be requested from Protiviti in 2024 to look at the progress made.

23.58.10 DP added that he had been given confidence as the challenges and suggestions for improvement from Protiviti were already in Internal Audit’s plan. DC stated that Gerry Mansey had agreed to provide the Audit Committee with further clarity on what he wanted to achieve at year end and in 2024 with the Internal Audit function.

#### End User Advisory Council (EUAC)

23.58.11 The report was taken as read.

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### Industry Advisory Council (IAC)

23.58.12 The report was taken as read.

### **23/59 Chief Executive Report**

#### CEO Report

23.59.1 [Redacted – Commercially sensitive]

23.59.4 The appointment of David McPhee into the role of Chief Policy & Engagement Officer and that of David Chandler as Director of Finance were noted. DP added that Nigel Gosden, Chief of Staff, would be leaving Pay.UK in mid-August and Andy Hollingdale would be stepping into the Chief of Staff role as interim. DP stated he would bring a recruitment update back to Board. **ACTION: DP**

23.59.5 The Bacs Strategy programme had been mobilised and an update would be brought to the Board meeting in September. [Redacted – Commercially sensitive]

23.59.6 Highlighting the change where the PSR would now be issuing directions to the market for the reimbursement requirement for APP scams, DP reflected on the Treasury Select Committee challenge to the PSR for introducing the directions at a faster pace. This challenge would also need to be met by Pay.UK, building and implementing a tool whilst giving customers sufficient time and support to prepare their own systems.

23.59.7 DP referred to the ‘in my shoes’ training undertaken by the Executive that was being rolled out to the rest of the organisation. The session utilised virtual reality to bring to life unconscious bias.

23.59.8 DP highlighted the clear focus on Internal Audit actions noting that the number of open actions had been reduced to three.

23.59.9 [Redacted – Commercially sensitive]

#### KPIs

23.59.14 DP highlighted that no principal risks were outside appetite and that all targets were on track. He stated that the KPIs had been reviewed including their alignment to strategic goals. One of the outcomes of this work was that a new CEO dashboard would be produced monthly.

23.59.15 MGH queried whether the KPIs received by the Board were those seen by the executive and used to manage the business. He asked whether the report could be streamlined to provide data more relevant to the Board. DP confirmed that the same set of KPIs was used by the Board and suggested that the summary and company targets should be shared in future.

23.59.16 Members considered whether the predominantly ‘green’ status of the KPIs indicated that the organisation was stretching itself to improve. DP confirmed that this had been considered when setting targets for 2024 and reflected that the status of the targets would change to reflect the upcoming challenges, such as the build and migration phases of NPA.

23.59.17 AV stated that it would be helpful for the scope of the KPI dashboard to be broadened beyond the three payment systems and cited CoP as a service that should be included. **ACTION: DP**

23.59.18 Members agreed that the KPIs paper should be briefer and that the commentary in the summary section should give more information as to the challenges and issues faced. HC gave the example of the delays on fraud data covered in the CEO report that were not reflected in the KPIs.

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- 23.59.19 The KPI status was discussed and it was agreed that the commentary needed to make clear what green meant, particularly on the customer satisfaction KPI where supporting data was gathered annually. Members queried the need for KPIs measured annually to be reported on more regularly.
- 23.59.20 The Board discussed whether the KPI for the NPA programme was green given the current challenges being faced and the non-green status of the programme plan. DP reminded members that the report showed progress against strategic targets that drove colleagues' reward structure. LT agreed as quantitative targets had been set for measuring success and these looked back at whether programme milestones and budget had been met. Members agreed that the KPI status would not provide an accurate assessment of the programme status, instead it measured the target set for the programme.
- 23.59.21 It was agreed that the company targets would no longer be submitted to Board. Instead they would go to the Remuneration Committee, with any updates and observations being highlighted in the Committee report to the Board. Members requested that the KPI dashboard was submitted to the Board as a standing agenda item and that it would be updated to reflect the points raised during the discussion. **ACTION: DP**

### **23/60 Finance**

#### CFO report

- 23.60.1 Referring to the report ME stated that budget and forecast remained on track for Q1. Volumes had been strong in Q1 uplifting income with Bacs volumes better than anticipated. [Redacted – Commercially sensitive]. For BAU there was a potential increase in costs associated with Change that would depend on spend on programmes such as APP reimbursement.
- 23.60.2 ME stated that the sharing of the indicative pricing at the Customer Engagement Forum had landed well for BAU. [Redacted – Commercially sensitive].
- 23.60.4 £2.85m of deferred income for Paym but not used would be repaid to customers following the closure of the service. ME confirmed that discussions at the MPSCo Board meeting were supportive and it was expected that the audit of MPSCo accounts would be finalised shortly allowing the closure of MPSCo limited.
- 23.60.5 ME confirmed that the investment of funds would take place in the next few days. He drew members' attention to the request in the CFO report to approve the provision of parent company guarantees for Faster Payments Scheme Ltd and Cheque and Credit Clearing Company. The structure of companies in the Pay.UK group had been simplified making these two companies dormant so there was no longer a need for their accounts to be externally audited under the Companies Act 2006.
- 23.60.6 The Board **approved** the provision of parent company guarantees for both Faster Payments Scheme Ltd and Cheque and Credit Clearing Company Ltd.

*SS joined the meeting.*

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### **23/61 Directors**

#### Skills and Capabilities

- 23.61.1 SS stated that the skills and capabilities methodology and matrices were introduced in 2021 by PwC as part of the governance review and now formed part of BAU. The matrices had evolved with the Nomination Committee reviewing and updating the criteria for the Board.
- 23.61.2 Referring to the Aggregate Heatmaps SS observed that it was used to identify gaps and support how they would be addressed. She highlighted that they had been utilised in both Board and executive recruitment.
- 23.61.3 SS confirmed that the continued development of the criteria for strategic skills and capabilities in the executive would be seen in the 2024 submission.
- 23.61.4 Members discussed the moderation that took place for the self-assessed capabilities and skills for both the Board and the Executive. SS confirmed that all new Board and Executive members had a moderation meeting with the Chair and CEO and added that a further cross check was carried out to ensure that the ratings were consistently applied for all individuals.
- 23.61.5 MGH stated that where an Executive was rated as ‘familiar’ for a capability or skill whether specific training, development and coaching should be put in place. He noted that appointments were being made based on talent and that as individuals grew in their roles they were given coaching on leadership and management that could be supplemented with other beneficial development programmes. DP agreed that this would be looked at as part of Executives’ development plans. **ACTION: SS/ DP**
- 23.61.6 [Redacted – Commercially sensitive]

*SS left the meeting.*

*DM joined the meeting.*

### **23/62 Regulatory Update**

- 23.62.1 DM stated that the paper was a new report that would be produced twice yearly giving an assessment of Regulatory confidence and the drivers behind it. He added that the status of the confidence had been challenged at ExCo and subsequent feedback from the Risk Committee had been incorporated into the report.
- 23.62.2 DM observed that the reporting in 2024 would cover the analysis of what PSD3 would mean to Pay.UK’s customers.

*[Redacted – commercially sensitive]*

- 23.62.3 The Board discussed the Joe Garner Review. *[Redacted commercially sensitive]*

*DM left the meeting.*

### **23/63 Governance**

- 23.63.1 CG provided an update on the improvements seen in the success factors for core areas identified in PWC’s recommendations. She stated that the People improvements were well embedded in

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BAU. It was likely that there would be no further open key actions by the end of the year. The continuing and consistent maturing of the Risk management work was highlighted.

- 23.63.2 MGH stated that Board and Executive capabilities and risk management had been identified in both reviews carried out by PWC. The improvements in these areas were important along with the challenge from the Board to the Executive for continued strategic thinking. MGH noted the move from process to strategy in Board papers and discussion.
- 23.63.3 Members considered how Pay.UK's five strategic priorities should be reflected in the Impact Measures shown in the 2023 Board Maturity & Success Factors and how to ensure they would be consistently reflected in everything that Pay.UK did. AB observed that the strategic priorities needed to be reflected in stakeholder engagement, including strategic campaigns. DC added that ESG should be part of the language used by Pay.UK in its internal discussions, in conversations with customers and in decision-making.
- 23.63.4 The meeting discussed the component parts of ESG and whether focusing on three could detract from the impact of ESG. It was agreed that ESG needed to be fully embedded throughout the organisation, recognising that specialist knowledge would be required to do this.
- 23.63.5 AB stated that the external engagement strategy and plan needed to clearly set out Pay.UK's strategic ambition and what needed to be done to ensure that traction was gained to enable delivery of Pay.UK's strategy.

*SW, KF and DM joined the meeting.*

### **23/64 NPA**

- 23.64.1 [Redacted – Commercially sensitive].

*SE joined the meeting.*

### **23/65 NPA Customer Sentiment**

- 23.65.1 [Redacted – Commercially sensitive]

*SE left the meeting.*

- 23.65.19 [Redacted – Commercially sensitive]

*IG joined the meeting.*

### **23/66 NPA Update**

- 23.66.1 [Redacted – Commercially sensitive]

*IG left the meeting*

- 23.66.9 [Redacted – Commercially sensitive]

*SW, KF and DM left the meeting.*

- 23.66.26 [Redacted – Commercially sensitive]

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**23/67 Post-meeting feedback**

23.67.1 Members requested that the structure of the NPA papers was considered so that it better supported the flow of discussion.

**23/68 Date of the next meeting**

23.68.1 [Redacted – Commercially sensitive]

**23/69 Any Other Business**

23.69.1 [Redacted – Commercially sensitive]

23.69.2 The Conflicts of Interest policy and associated process were being enhanced across the business. CG stated that the revised Policy and associated form would be circulated to Members for them to complete in advance of the September meeting. **ACTION: CG**

23.69.3 As there was no further business the Chair thanked everyone present and closed the meeting. He invited the NEDs and INEDs to remain for a private session.

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Chair