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Pay. UK Limited
Minutes of a meeting of the Board of Directors held on
27 November 2024 at 10:00
at 2 Thomas More Square, London, E1W 1YN

Members		Attendees	
Mark Hoban (MGH)	Pay.UK Chair	Euan Ballantyne (EB)	Head of Product & Insight
Anna Bradley (AB)	Senior Independent NED	David Chandler (DCh)	Director of Finance
Diane Côté (DC)	Independent NED	Keith Files (KFI)	NextGen Programme Director
Helen Crooks (HC)	Independent NED	Kate Frankish (KF)	Chief Business Development Officer
Michael Ellis (ME)	Chief Financial Officer	Carolyn Gibson (CG)	Company Secretary
Marc Pettican (MP)	NED	Lone Le Roux (LLR)	Chief Risk Officer- designate
Lesley Titcomb (LT)	Independent NED	Aneet Morar (AM)	Interim Chief Product Officer
Lars Trunin (LTR)	NED	David McPhee (DM)	Chief Policy & Engagement Officer
Ajay Vij (AV)	Independent NED	Lisa Mellor (LM)	Chief Risk Officer
Peter Wyman (PW)	Independent NED	David Morris (DMO)	Chief Operating Officer
		Punam Peck (PP)	Chief Transformation Officer
		Mike Pritchard (MPr)	Reward & Systems Manager
		Sherree Schaefer (SS)	Chief People & Culture Officer
		Maria Willis (MW)	Company Secretary - Designate
		Louise Rebusk (LR)	Deputy Company Secretary
Apologies:		Externals	
David Pitt (DP)	Chief Executive Officer	Elizabeth Stewart (ES)	Odgers (External observer)
		Simon Eacott (SE)	SPG Chair, NatWest
		Wanda Goldwag (WG)	SSCC Chair

**Board members and attendees met using a hybrid meeting model with some attending in person and others joining remotely by video conference*

24/77 Opening Business

Quorum and welcome

- 24.77.1 The Chair confirmed a quorum was present and advised that DP had sent his apologies given a back injury. AV was delayed and would join shortly. The Chair welcomed ES to the meeting who was observing as part of the Board Effectiveness Review and would also observe the January 2025 meeting when DP would be in attendance.

Conflicts of Interest

- 24.77.2 The Chair reminded directors that they were required to declare their interests in relation to any proposed transaction or arrangement with Pay.UK. No new interests were declared.

Approval of minutes

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24.77.3 The minutes of the meeting held on 25 September 2024, subject to an amendment requested by MP being incorporated to 24.67.6 and the redaction to minute 24.73.1 being removed, were **approved**. The minutes of the meeting held on 7 November 2024 were also **approved**.

Update on actions

24.77.4 The status of the open actions was noted. [Redacted – commercially sensitive]. MGH requested that action updates reflected progress including any challenges that could impact the action closure date. **ACTION: LR/ MW**

Approvals since the last meeting

24.77.5 MGH noted that the training session held on 16 October had covered Competition Law, ESG and Emerging Risks. [Redacted – commercially sensitive]

24/78 Committee Reports

Audit

24.78.1 PW provided an update. [Redacted – commercially sensitive]

Risk

24.78.2 DC provided an update on the recent meeting. [Redacted – commercially sensitive]. The AI Principal Risk was still outside risk appetite and the risk would be revisited once the AI Framework had been rolled out. The Committee had agreed that a deep dive on AI would take place in Q2 2025, covering the behavioural changes that could result from the use of AI. The AI Framework had been reviewed and approved by the Committee. The Chair requested an AI risk deep dive for the whole Board.

24.78.3 [Redacted – commercially sensitive]

24.78.4 Risk Maturity had been discussed and DC noted that management had been confident that level 4 would be reached by the end of 2024. [Redacted – commercially sensitive]

AV joined the meeting.

24.78.6 The Risk Committee would hold an additional meeting in January 2025 to discuss Operational Resilience and Cyber Security. [Redacted – commercially sensitive]

Nomination

24.78.7 The Chair stated that the Committee had discussed the definition of independence for Pay.UK's INEDs. Currently, a Board member was not treated as independent if they had worked for a customer within the last five years. [Redacted – commercially sensitive]. The Committee had discussed how the definition could be amended in a way that would maintain Pay.UK's independence whilst enabling INEDs with recent payment experience. [Redacted – commercially sensitive]. The Committee had been mindful of maintaining a balance of members with and without industry background and experience and the Board's independence.

24.78.8 The Board considered the Committee's proposal that the period between working for an FPS member and being a Pay.UK Board INED should be reduced from five years to one to enable Pay.UK to gain access to more relevant skills and experience.

24.78.9 LTR observed that the category was relatively small of people who had been out of payments for a year who would be sufficiently senior. A year was a long time in payments as it evolved so quickly. Members debated why the period should be a year when most bank employees would

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have a six month restrictive clause in their contracts and discussed whether there were different controls that could be put in place to manage any potential conflicts of interest.

- 24.78.10 AB reminded members of the need to balance independent public interest with the requirement for industry background. [Redacted – commercially sensitive]
- 24.78.11 LTR proposed not putting an arbitrary time period in place and highlighted what Pay.UK would gain including active networks, insight and up to date knowledge. AV agreed that the time restriction should be removed altogether and replaced with controls.
- 24.78.12 The Chair referred to Pay.UK's role as an independent PSO. [Redacted – commercially sensitive]. Members agreed that the duration should be considered on a case by case basis.
- 24.78.13 [Redacted – commercially sensitive]
- 24.78.14 The Chair concluded that it was agreed to move to a position whereby INEDs could be appointed with recent industry experience, without a cooling off period in place, and appropriate arrangements put in place to maintain Pay.UK's independence and mitigate any potential or perceived conflicts of interest.
- 24.78.15 Updating on succession planning, the Chair stated that MP had tendered his resignation, with effect from 31 December 2024, given he would be leaving Barclays. MP's resignation was accepted and **approved**. A NED from a small to medium sized customer was being recruited along with a replacement for MP from a large sized customer. [Redacted – commercially sensitive].

Remuneration

- 24.78.16 AB provided an update [Redacted – commercially sensitive].

WG, EB, KF and AM joined the meeting.

24/79 SSCC Update

- 24.79.1 WG gave a brief update of her background and her role at Pay.UK. She advised that her aims were to change the CASS KPIs and drive the budget to ensure that marketing was effective for all users including vulnerable and younger people. [Redacted – commercially sensitive].
- 24.79.2 [Redacted – commercially sensitive]
- 24.79.5 In response to a question from MGH, WG confirmed that the operational objectives referred to in the paper were to ensure that CASS remained relevant and to understand and address behaviours and issues seen in the use of CASS. She gave examples such as users with overdrafts assuming that on switching their bank accounts they would not get an overdraft and whether it should be possible to switch from a personal account to a sole trader account to support small businesses. WG observed that a single member of the SSCC could block change to CASS.
- 24.79.6 WG added that another operational objective was to ensure that CASS remained relevant and could handle innovative payments. For example, CASS should work with VRP otherwise it would not be possible to move these types of payments when users switched their accounts to another provider. With VRPs the mandate sat with the PSP and did not come via the CASS directory. Now that Pay.UK held the redirection directory it would be possible to look at this and for the Board to determine the strategic direction for CASS and innovative forms of payment.

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24.79.7 The Board discussed different media and how they could be used to reach different categories of end users. WG stated that research would be carried out to determine how to use the CASS marketing budget to run the best campaigns to reach all end users. She would engage with the regulators before utilising a portion of the CASS marketing budget to conduct the right research.

24.79.8 MGH thanked WG for her update.

KF, AM, EB and WG left the meeting.

24.79.9 Members reflected on the challenges presented to ensure that CASS would work in the future as the market changed. [Redacted – commercially sensitive].

24/80 Chief Executive

CEO report

24.80.1 ME provided a summary of the business's position as the year end approached. He highlighted the key achievements for the year that had contributed to building Pay.UK's credentials. These included the successful technical delivery of COP and APPR and the approach put in place in November 2023 to unblock the NPA programme. [Redacted – commercially sensitive].

24.80.2 Members considered whether more should be done to leverage its successes including that of COP expansion and APPR and it was agreed that Pay.UK could do more. [Redacted – commercially sensitive]

24.80.5 Members discussed the target adoption rate for COP and how many of the target audience for APPR were yet to be onboarded. DMO agreed to bring this information back to the Board. AV reflected that fraud often shifted from one area in payments to another, for example from cards to FPS. He queried whether it would be useful to understand if that shift was being seen in metrics and whether there was an increase in the percentage of fraud seen over FPS. **ACTION: DMO**

24.80.6 [Redacted – commercially sensitive]

KPIs

24.80.7 ME stated that the KPIs were being analysed and developed. HC and LTR were working with Andy Hollingdale on where the KPIs could be and how they could become more ambitious.

24.80.8 Members queried the growth within the overall payments landscape and where FPS sat within that. ME observed that more insight than was discussed at Strategy Day was not available at present. Overall FPS was growing a little more slowly than the general market.

24.80.9 DC observed that it would be useful to monitor the cultural shift in risk management and to include relevant metrics in the KPIs. **ACTION: ME**

DCh joined the meeting

24/81 Finance

CFO Report

24.81.1 The year to date financial forecast was noted.

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- 24.81.2 DCh advised that the forecasts for Bacs and FPS had been close to actuals giving confidence in the forecasts for 2025.
- 24.81.3 [Redacted – commercially sensitive].
- 24.81.5 ME added that 2025 pricing had been set [Redacted – commercially sensitive]. The tariff letter would be issued to customers the following week and 2025 pricing had been announced at the Customer Engagement Forum in October. ME added that there had not been many specific challenges from customers on the pricing, the value delivered since 2019 had been highlighted to customers. ME would provide the information that had been shared with customers. **ACTION: ME**
- 24.81.6 [Redacted – commercially sensitive].
- 24.81.7 Members discussed the forecast and queried the impact of actual volumes for 2025 being lower than forecast as they were in 2024. DCh stated that the impact for 2024 had been minimal and that detailed sensitivity analysis had not been carried out. ME added that the capital carried ensured there was sufficient to cover a dip in volumes.
- 24.81.8 Members discussed customer sentiment in response to a tariff increase and agreed that Pay.UK's response needed to be carefully considered.
- 24.81.9 The Board **approved** the 2025 final budget

TPRM & Procurement Policy

- 24.81.10 DC stated that the Risk Committee recommended the TPRM & Procurement Policy to the Board for approval. The Board **approved** the TPRM & Procurement Policy.

LM, LLR and GM joined and DCh left the meeting

- 24.81.11 [Redacted – commercially sensitive].

24/82 Operations

- 24.82.1 DMO stated that future reports would cover all aspects relating to Vocalink. [Redacted – commercially sensitive].
- 24.82.2 Referring to APPR and COP expansion, DMO advised that fraud operations were being closely monitored. Key milestones were coming up including the first reporting point to the PSR and case management going live. An outsourced third party was on hand, if required, to augment Pay.UK's resource.
- 24.82.3 Operational performance continued to be good. [Redacted – commercially sensitive]. Pay.UK was also working closely with customers to understand the issues they were experiencing within their change portfolios. [Redacted – commercially sensitive].
- 24.82.4 The Technology Strategy had evolved would be published to customers by early 2025.
- 24.82.5 Members considered the opportunities that could be generated by COP and whether the number of COP checks were included in Pay.UK's forecasting data. DMO stated that some forecasting had been done for the take up of COP beyond the initial tranche of 400 PSPs. It was agreed that it would be useful for HC, LTR and DMO to look at different use cases for COP. **ACTION: DMO**

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24.82.6 DMO advised that Vocalink had operationally been strong during the reporting period. [Redacted – commercially sensitive].

24/83 Risk

Resilience Update

24.83.1 LLR observed that looking at the Operational Resilience readiness today, the status would mostly be green and amber [Redacted – commercially sensitive].

24.83.2 LLR gave an update on the trilateral meeting with FMID and Vocalink that had taken place on 8 November. The meeting had been positive and productive [Redacted – commercially sensitive].

24.83.3 DC provided a brief summary of the key points from the discussions at both the Audit and Risk Committees. [Redacted – commercially sensitive].

Enterprise Risk Management Framework (ERMF)

24.83.9 DC stated that the Risk Committee had reviewed the ERMF and recommended it to the Board for approval. The Board **approved** the ERMF.

24.83.10 The Risk Committee had also reviewed the Risk Appetite Statements (RAS) and agreed that the KRIs were evolving and would require maturing and embedding and so had not been brought to the Board. DC advised that the Risk Committee recommended the RAS to the Board for approval. The Board **approved** the Risk Appetite Statements.

24.83.11 The Chair thanked LM for her work, noting that the risk function had been transformed due to her leadership. He wished her luck for the future. LM thanked the Board for its support.

LM, LLR and GM left and KF and AM joined the meeting.

24/84 Business Development

Fraud programme

24.84.1 KF introduced AM. She advised that Pay.UK had onboarded as many mandated PSPs to COP as it could. Those who had not been onboarded had not responded and their details had been passed to the PSR. COP was stable and open for onboarding. COP checks were now up to 1.9m per day and continuing to grow. Pay.UK continued to work with the industry and any issues experienced were being dealt with quickly.

24.84.2 Referring to APPR KF noted that the position was similar to that on COP. There would be further work required for phase two of APPR in 2025.

24.84.3 [Redacted – commercially sensitive].

ICS Update

24.84.5 AM advised that in light of sharply reducing cheque volumes and a predominately fixed cost infrastructure options had been considered to reduce costs. The approach for ICS and to define Pay.UK's role in engaging the future of cheques had been taken to the SPG.

24.84.6 Without changing the profile AM stated analysis had shown that the price of cheques would double every four years, with the price of a cheque forecast to be £1 in 2031. Members agreed that when this price point was reached the pressure to make change would be much greater.

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- 24.84.7 AB clarified that the End User Advisory Council (EUAC) had discussed the falling volumes of cheques. The Council had recognised the case for the end of cheques and also considered the current use cases for cheques, one of which was the government, which was one of the largest cheque issuers. How quickly the government would move to an alternative means of payment was not known however its exit from cheques would have a significant impact on the price. The other main users of cheques were an ageing population and charities. EUAC had advised that Pay.UK should focus on finding a solution to address the use case where cheques were primarily used by people who did not have the financial details they needed to make a payment.
- 24.84.8 Members agreed that Pay.UK's role was to process cheques until the last cheque. Its role was not to lead in lobbying authorities to make a decision on phasing out cheques. It should support the conversation industry would have with policymakers by providing information and analysis.
- 24.84.9 The Chair noted that KF was retiring at the end of the year and thanked her for her work and contribution to Pay.UK.

AM and KF left and DM, PP and KFI joined the meeting.

24/85 NextGen Infrastructure

Clifton Update

- 24.85.1 ME welcomed the new CTO and NextGen Programme Director to the meeting and provided a brief introduction on their experience. [Redacted – commercially sensitive].
- 24.85.2 ME discussed the SPG meeting held the previous day where there had been a strong appetite to progress on NextGen and the Technology Strategy and a discussion on how the NPV would be taken forward.
- 24.85.3 DM noted that the NPV presented an opportunity to face into the constraints Pay.UK faced which had been raised as part of the NPV submission. [Redacted – commercially sensitive].
- 24.85.4 The NPV set out the need for a strong and effective PSO. Pay.UK was keen to influence the scope of the review and focus on the issues raised in its NPV submission and by the industry. This was an opportunity for Pay.UK to design its own future, looking at funding, governance and the approach to delivering change. Pay.UK would continue to work with customers on the establishment of an Industry Delivery Body (IDB) and agree the model for this.
- 24.85.5 It was believed PVDC would only include representatives of HMT, the Bank and the PSR and the Vision Engagement Group (VEG) would include industry representatives, Pay.UK would apply for representation. It was as yet unclear how the PVDC would engage with customers.
- 24.85.6 [Redacted – commercially sensitive]. It was noted that the NPV presented both challenges and opportunities. It presented an opportunity to look at the constraints faced such as change being blocked by the inability to reach consensus with a coherent solution needed to address this. [Redacted – commercially sensitive].
- 24.85.7 LTR noted that when talking to customers they would like more transparency on how decisions at Pay.UK are made and the Chair stated that the establishment of the IDB was part of the solution. This would look at the appetite for change and how to ensure change was cohesive. It was noted that the Board needed to be open to the opportunity to change.

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- 24.85.8 LTR stated the need to be clear on what needed to change and why and not just looking at how this would be achieved. Clarity was needed on the problems to be addressed and why. The Chair referenced that the NPV submission had been clear on why change was needed and the questions that needed answering.
- 24.85.9 [Redacted – commercially sensitive].
- 24.85.10 The Board noted Pay.UK needed to articulate clearly its desired outcomes and what was needed to perform its role [Redacted – commercially sensitive]. Clear communication with stakeholders was also needed.
- 24.85.11 [Redacted – commercially sensitive].

KFI left and SE joined the meeting.

24/86 SPG Chair

- 24.86.1 SE advised that SPG had met the previous day and highlighted that the key topics discussed included the go live of APPR and the Mansion House speech, which felt like a major inflection point for the industry. The speech addressed the challenges voiced by the industry and was seen as a welcome attempt to bring clarity to a number of areas that required traction.
- 24.86.2 The cancellation of the NPA contract gave the industry the opportunity to look at the future now that engagement with the incumbent supplier had been enabled. There were different views on the pace at which NextGen should move forward. SE observed the progress made with the Technology Strategy at the CTO/ CIO forum and the need to ensure that the NextGen programme focused on ‘no regrets’ functionality and did not include areas that would later need to be reversed out of. He highlighted that Bacs and cheques had not specifically been referred to in the NPV.
- 24.86.3 SE stated that how change was delivered across the industry and the potential for an alternative delivery mechanism were important points that would be taken forward in 2025. There remained unease among Participants on the lack of their decision-making capability on Pay.UK’s change initiatives. Governance and the involvement of funders in industry change would remain a topic for debate. SE advised that Participants felt strongly they should have a meaningful voice in governance and should be brought into the debate as much as possible. In the broader context there were discussions on innovation, growth and technology that would drive thinking on what NextGen might mean. SE referred to the PSR’s consultation on SD3 and the need for A2ART.
- 24.86.4 Referring to the outcome of the Customer Satisfaction survey SE noted that it reflected Pay.UK’s operational and run capabilities and also its challenges when delivering change.
- 24.86.5 The Chair stated that the NPV was a positive step forward and Pay.UK had worked hard with HMT and its regulators to unblock NPA. The government’s endorsement of the NextGen modular approach and Pay.UK’s Technology Strategy had been helpful and facilitated the cancellation of the NPA programme. Governance and funding were both significant issues for Pay.UK, impacting its ability to deliver strategic change. The NPV described a strong effective PSO and the Chair stated that this should be read in conjunction with the reform of Pay.UK.
- 24.86.6 SE agreed stating that the debate, and discussions that revisited the proposals, needed to be viewed in the context of the conclusions that the PSR and HMT would draw on governance. Revisiting the proposals recognised that whilst good progress had been made, and a number of

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stakeholder fora were effective, that some of the issues that participants were concerned about remained. These issues would feed into the discussions on the governance of industry change.

- 24.86.7 Members considered whether the need for a change in pace that focused on no regrets work suggested a slower pace of progress on NextGen until the regulators had concluded their review of governance and queried how the outcome of that work could change what would be delivered. SE reflected that resilience probably comprised three elements: the system needed to be able to handle volumes on an ongoing basis, ISO 20022 capability and the interoperability that ISO 20022 would bring. These were no regret capabilities that should be put in place whereas capabilities such as API connectivity would generate debate and would probably be well supported and should not be implemented if the work had to be repeated following the outcome of NPV.
- 24.86.8 AV queried what work should take place on innovation in both the near and long term. SE gave the example of Regulated Liability Networks (RLN) and the ability to link different infrastructures together. This capability was a future vision that would be good for the industry. He highlighted that there needed to be a clear differentiation between what needed to be done to evolve the infrastructure and what could be included as part of the roadmap that the new framework would deliver. SE added that moving forward with resiliency would not stop thinking on innovation and instead would bring innovation more into main stream thinking.
- 24.86.9 SE noted that it was MP's last Board meeting. He thanked him for being a great voice for the industry at the Board and highlighted the strength of the link between Pay.UK's NEDs, LTR and MP, and the industry.

SE left the meeting.

- 24.86.10 Members agreed that it was important to progress with planning for no regrets work and to put forward a proposal for governance. Members discussed the speed at which customers could mobilise for the NextGen work, noting the relatively short timelines for delivering Clifton. The approach set out for NextGen would not lock Pay.UK into a single vendor and ideation and faster delivery of innovation should be supported. [Redacted – commercially sensitive]
- 24.86.11 [Redacted – commercially sensitive]

24/87 Stakeholder Engagement

- 24.87.1 The Board noted the Stakeholder Engagement update.

PP and DM left and SS and MPr joined the meeting.

24/88 People

Gender Pay Gap Reporting

- 24.88.1 SS advised that the Gender Pay Gap report was ready to be published. As it was the fourth year of reporting she had taken the opportunity to review the actions taken over the last four years to address the gender pay gap and the outcomes seen. It was clear the pay gap was being addressed and the review carried out was being used to inform the actions the business would take in 2025. These actions would be taken to the Executive in December prior to implementation in 2025.
- 24.88.2 Members discussed targets and SS reminded that in 2023 it had been agreed that the FCA diversity target would be applied and this gave a target of 40% women at Board level. This target had been applied to the Executive and the management level reporting directly into the Executives. At present 39% of ExCo members were female with 40% at Board level. [Redacted – commercially sensitive].

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- 24.88.3 Members considered the reporting of the ethnicity pay gap that would be mandatory in two years' time. SS advised that the current tooling would extend into both ethnicity and disability. Data for the gender pay gap was readily available however at present only 50% of colleagues had provided ethnicity data and meaningful reporting would require 70%.
- 24.88.4 Members discussed the reasons behind colleagues' reluctance to provide ethnicity data. SS added that attempts had been made to collect it however colleagues were reluctant to provide.
- 24.88.5 The Board **approved** the Gender Pay Gap report and requested that work commenced on ethnicity pay gap reporting.

MPr left the meeting.

Employee Voice

- 24.88.6 LT stated that as part of her work to improve visibility of the Board she was arranging lunches with colleagues. One lunch had already been held which she and the Chair had joined. She would also attend a meeting of the Colleague Voice Forum (CVF) and the Chair of the Forum would be invited to a Board meeting. **ACTION: MW/ SS** LT requested that members took every opportunity to attend lunch meetings with colleagues and the CVF.
- 24.88.7 [Redacted – commercially sensitive]

SS left the meeting.

24/89 Governance

Appointment of Company Secretary

- 24.89.1 The Chair reminded members that CG was stepping down from her role and approval was sought to appoint MW. The Board accepted the resignation of CG as Company Secretary and **approved** the appointment of MW as Company Secretary with effect from 1 December 2024.

Board and Committee Terms of Reference

- 24.89.2 MW stated that the Terms of Reference (TOR) for the Board and its Committees had been updated as part of the annual review. The Committees all recommended their TORs for approval. The Board **approved** the Terms of Reference for the Audit Committee, Nomination Committee, Risk Committee and Remuneration Committee and these would be shared with FMID.
- 24.89.3 The Board TOR had been updated with the matters reserved to the Board added and the purpose of Pay.UK included to align to the company's Articles of Association. DC advised that she had some comments on the ToR which were not material. The Board **approved** its Terms of Reference subject to any changes resulting from DC's comments and the correction of the reference to the Participant Advisory Council. *[Post meeting note: the TOR have been updated to incorporate DC's feedback and a final version of the ToR would be included in the next meeting pack].*

Delegation of Authority Policy

- 24.89.4 MW advised that minor changes had been made to the policy, to remove reference to the Chief Payments Officer role and NPA programme. [Redacted – commercially sensitive].

Redaction Policy

- 24.89.5 CG stated that during the final stages of the policy's review the Compliance team had proposed that redaction be set out as a procedure under the Information Security policy. Members considered this proposal and agreed that the policy would remain as a Board approved policy. *[Post meeting note: the policy will be brought back to the next meeting for approval].*

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Board Effectiveness Review

- 24.89.6 ES thanked members for their time. She advised that she intended to have a substantive draft report available in January so that the final version could be turned around quickly following the January Board meeting. This would be discussed with the Chair and the Company Secretary before it was shared with the Board.

24/90 Any Other Business

- 24.90.1 The Chair thanked CG for her contribution to Pay.UK. [Redacted – commercially sensitive].
- 24.90.2 The Chair thanked MP for his work as an industry NED adding that his work and understanding had been invaluable.
- 24.90.3 As there was no further business MGH thanked everyone present, closed the meeting at 15:07 and held a brief private session with the members.