

**Pay. UK Limited****Minutes of a meeting of the Board of Directors held on 13 January 2021**

<b>Members</b>	<b>Attendees</b>
Mark Hoban (MGH) - Pay.UK Chair	Heather Butler HB - Chief Services Officer
Richard Anderson (RA) - Independent NED	Tim Everest (TE) - Chief Transformation Officer
Christine Ashton (CA) - NED	Kate Frankish (KF) - Director of Strategy (NPA Product Owner)
Anna Bradley (AB) - Senior INED	Helen Hunter-Jones (HHJ) - Chief Risk Officer
Tim Fitzpatrick (TF) - Independent NED	Emma Logan (EL) - Interim NPA Director
Matthew Hunt (MH) - COO & Interim CEO	Dave McPhee (DM) - Director of Regulatory Engagement & Policy
Jean-Yves Rotté-Geoffroy (JY)- Independent NED	Ed Moorby (EM) - Deloitte
Russell Saunders (RSA) - NED	Oliver Kirby-Johnson (OKJ) - KPMG
Lesley Titcomb (LT) - Independent NED	Gordon Mackenzie (GM) - Deloitte
Peter Wyman (PW) - Independent NED	Sherree Schaefer (SS) - Director of HR
	Dan Smith (DS) - Head of Procurement
	Louise Rebeck (LR) - Corporate Governance Manager
	David Gilbert (DG) - Company Secretary
	<b>Observers</b>
	Toni Ashby (TA) - Partner, PwC
	Nicole McManus (NM) - Partner, PwC

\*Due to the Covid 19 pandemic, Board members and attendees joined remotely by video conference

**21/01 Opening Business**

The Chair welcomed LT to her first Board meeting as a Director and HB to her first meeting as an attendee.

It was noted that the meeting was being observed by PwC as part of the Governance Review.

MGH referred to the recommendation from the Nomination Committee that Anna Bradley be appointed as the Senior Independent Non-Executive Director and **this was approved** by the Board. It was noted that the Bank's non-objection to the role had also been received.

*AB joined the meeting and was congratulated on her appointment*

Quorum – The Chair 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 other 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 gifts and hospitality together with an updated copy of the Directors Conflicts of Interest register, which had been circulated separately, were considered.

Minutes & Action Log – The draft minutes of the Board meeting held on 11 November 2020 were reviewed. It was noted that a revision to clarify the wording regarding the tariff had been put forward and, subject to that amendment, the minutes were approved.

Progress with the current open action items was noted.

### **21/02 CEO’s Report**

MGH informed the Board that he had asked for the CEO’s report to be brought to each meeting of the Board, rather than quarterly as previously.

MH referred to his report and highlighted the significant amount of change within the business. There was also a great deal of regulatory scrutiny and engagement. MH advocated that the key priorities were to manage the changes, maintain the resilience of services and to ensure the wellbeing of colleagues.

The Board noted that the revised Participant Assurance process had been rolled out and had been very well received. MH explained that a number of interim changes to the Executive Committee had been made, with the creation of sub-committees to focus on the management of people, risk and finances. Heather Butler had joined the organisation as interim CSO and recruitment for a new Director of Internal Audit continued. The Director of Security had resigned and the search for a replacement would be commenced shortly.

MGH queried the current impact of the Covid-19 pandemic and the current work from home requirements both on colleagues and on the provision of critical services. He further queried the resilience of those providing critical processes to Pay.UK and how those providers were being monitored. MH confirmed that the matter was being monitored very closely and that a report would be considered at the forthcoming Risk Committee meeting. He advised that all key areas of the business had been reviewed to calculate the critical staff numbers that were required and plans to mitigate shortages were in train. HHJ provided further detail, noting that a similar exercise had been undertaken each time there had been a change in Government guidance to ensure that critical services could be maintained whilst also being cognisant of the additional demands on colleagues, particularly if they had additional responsibilities outside work such as caring for dependents or were home-schooling. HHJ confirmed that discussions with Vocalink as the prime supplier were ongoing regarding their resilience and the strategies that they had adopted to maintain services.

MH referred to the service-related incidents that had occurred during the period and confirmed that all such matters were automatically reviewed to understand whether there was any systemic issue underlying them, or whether working practices required revision. The team was also

looking to see if there was any evidence that the additional pressures caused by the pandemic were a contributory factor.

MH advised that an initial view of the corporate strategy work that was being undertaken would be shared with the Board at the February meeting to ascertain their views which could then be incorporated. As part of the subsequent discussion, MGH identified a number of topics that should be included in the strategic discussions at Board over the coming months. It would also be important to understand what was within scope and what was outside Pay.UK's remit.

### **21/03 Committee Reports**

MGH noted that he had asked for the Chairs of each Committee to produce a short report of its most recent meeting for consideration at the next Board meeting, rather than reporting quarterly as previously. He had also moved the discussion forward on the agenda to ensure that there was sufficient time for key matters to be discussed.

Audit Committee – TF reported that the Committee had spent time discussing the findings of the Cyber Audit, given its unsatisfactory findings. Recruitment was underway to backfill vacancies.

RA emphasised that the preparation for the annual report & accounts, including the ancillary support work, needed to be appropriately overseen at a senior level and project managed through to completion. TF confirmed that the matter would be discussed at the forthcoming Audit Committee meeting. After discussion, it was agreed that the post implementation review that captured the lessons learnt from previous years be circulated to Audit Committee for information. **ACTION: HB**

Nomination Committee – MGH commented on the topics covered by the Committee, including the annual pay review. The need for the People team to be properly resourced to be able to develop and implement appropriate remuneration strategies to recognise performance was highlighted. MH confirmed that the reasons for restraint in the latest pay round had been generally understood by colleagues.

End User Advisory Council – AB advised that the latest Council meeting had focused on the end user outcomes and benefits that would be derived from NPA. A research programme was also being developed setting out future priorities.

Participant Advisory Council – JY reported that the composition and purpose of the Council were to be reviewed. Feedback from members had indicated that there was a need to clarify Pay.UK's purpose and scope and this had been taken onboard. During the ensuing debate, the Board discussed a number of potentially significant developments, such as the use of a digital ID for payments, and noted that there were several key areas where decisions would be required as to whether or not they fell within Pay.UK's remit.

*KF, DM, OKJ & EL joined the meeting*

### **21/04 NPA Update**

TE introduced the update session and noted that KPMG had been appointed as a core partner to work with and support the Pay.UK team. He confirmed that Pay.UK continued to lead and drive the project but had engaged KPMG to provide additional bandwidth to deliver. It was noted that the update would cover the PSR consultation, the NPA Programme generally and the status of the s.82 work.

DM provided the Board with a verbal update on the work being done for the PSR's consultation document. He advised that a response had been provided to the PSR to ensure that Pay.UK's position was accurately reflected in the document. In particular, the response had highlighted that the totality of the risk was reflected, that the various scope options be presented in a balanced way, that the consultation aligned with the more detailed scope analysis that Pay.UK was undertaking and that the context around the Board decision in May 2020 and the subsequent application be explained clearly. DM confirmed that the comments had been broadly accepted by the PSR who were looking to share a final draft of the consultation with Pay.UK for any material comments before it was published.

DM advised that the consultation document was expected to cover five main areas including the current risks to the delivery of the NPA, scope, procurement options, competition and pricing. DM explained that the PSR favoured a split approach to the consultation, with responses requested in two tranches.

[Redacted - commercially sensitive]

DM updated the Board on the SD2/3 application. He advised that the PSR was expected to reject the application on legal grounds – although they had already acknowledged many of the risk arguments that had been put forward and would be consulting on those, including the option of a Direct Award. The PSR had asked that a non-confidential version of the exemption application be published in conjunction with its NPA consultation. DM suggested that publishing would be beneficial to Pay.UK as it would allow its arguments to be put forward in a cohesive and positive way that would help the effectiveness of the consultation and also allow the thoroughness with which Pay.UK has approached the process to be demonstrated. After discussion, **it was agreed** that a redacted version of the exemption application be published. LT queried whether Pay.UK would also formally respond to the consultation document and DM confirmed this was the intention.

The overall relationship with the PSR was considered and it was agreed that this was positive. The recent workshop session had been very helpful.

TE referred to the reporting pack on the NPA Programme and noted that immediate changes had been made to the Programme as a result of the initial discovery report. A new structure had been introduced and there had also been changes in the leadership, with EL taking on the Programme Director role whilst a permanent replacement was recruited.

TE requested Board approval for the extension of the existing contract with KPMG (including the delegation to the CEO to sign invoices within the programme budget but above the existing delegated authority) to allow time for a revised contract to be negotiated for the remainder of the year. **This was agreed** on the basis set out in the meeting papers. TE stressed that management and control of the Programme sat with Pay.UK who were able to challenge KPMG on people and cost.

MGH referred to the meeting papers and the strategic risks that had been identified for the project and queried how these were incorporated into the Risk team's oversight. HHJ confirmed that her team had been heavily involved in the discussions regarding the strategic risks and advised that the Risk team had dedicated resource working on the NPA. NPA risks were also regularly reported to and discussed at the Risk Committee. MH noted that the new management structure in the Programme would also improve the quality of the reporting seen by the various Board Committees.

The Board discussed and stressed the need to ensure that there was a holistic approach to the management of the Programme within Pay.UK, rather than as two separate entities and TE confirmed that matrix management was being implemented wherever possible to ensure integration so that the business would be ready to receive the NPA when it was delivered.

Summarising the discussion, MGH noted that a revised description of the NPA that could be understood and used by all would be helpful. **It was agreed** to provide this to a future meeting. **ACTION: TE It was further agreed** that a clearer view of the timelines for the Programme would be helpful as a new plan was baselined. **ACTION: TE**

*EM & GM joined the meeting*

EM & GM introduced themselves and explained that they were undertaking the s.82 review and had been asked to provide the Board with a verbal update as to their initial findings. TE noted the positive way in which the review had been undertaken and suggested that most of the findings were already known and had been self-identified. However, a number of issues were deeper than previously thought.

[Redacted - commercially sensitive]

*EM & GM left the meeting*

The Board discussed the findings and implications of the s.82 work and agreed that it would be appropriate to have a review of broader lessons learned in due course. **ACTION: MGH**

*EL, OKJ, KF & DM left the meeting*

*DS joined the meeting*

**21/05 [Redacted - commercially sensitive]**

[Redacted - commercially sensitive]

*DS left the meeting*

*SS joined the meeting*

**21/06 Bank Annual Risk Review Letter**

MGH noted that there were a number of reviews currently in flight that were requiring management and Board time to consider. He noted that the Bank's Annual Risk Review letter that had been considered at the November 2020 Board meeting had requested that a review of the existing structure of the Board and its Committees be undertaken, together with the capabilities of the senior management.

NM noted that PwC had been appointed to assist MGH with the review and had just begun their fieldwork. Interviews with all Board members and the Executive had been scheduled and a review of relevant documentation was underway. NM noted that the key deliverables were to comment on the existing structure and effectiveness of the Board and its Committees and to review the skills and capabilities of those involved. She commented on the proposed timescales for the completion of the work and the delivery of their review.

TA thanked those who had been supporting the review and for the openness and collaboration that the team had experienced to date. SS noted the very tight timescales that the project was being delivered against and confirmed that both the Executive and Board would be kept fully updated on progress.

There being no further business, the Chair declared the meeting closed.

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Chair