

Pay. UK Limited**Minutes of a meeting of the Board of Directors held on 26 January 2022**

Members	Attendees
Mark Hoban (MGH), Pay.UK Chair	Richard Archer (RAR), Head of Compliance
Anna Bradley (AB), Senior Independent NED	Dougie Belmore (DB), Chief Payments Officer
Diane Cote (DC), Independent NED	Giles Bradley (GB), NPA Programme Director
Matthew Hunt (MH), CSO and Deputy CEO	Michael Ellis (ME), Finance Director
Marc Pettican (MP), NED	Tim Everest (TE), Chief Transformation Officer
David Pitt (DP), CEO	Kate Frankish (KF), Director of Strategy
Jean-Yves Rotté-Geoffroy (JY), Independent NED	Angela French (AF), Head of Business Continuity
Lesley Titcomb (LT), Independent NED	Andy Hollingdale (AH), NPA
Lars Trunin (LTR), NED	Helen Hunter-Jones (HHJ), Chief Risk Officer
Peter Wyman (PW), Independent NED	Stefan Linn (SL), Operational Resilience
	Hollie McCloy (HM), Consultant
	Dave McPhee (DM), Director of Regulatory Engagement & Policy
External Attendees	Sherree Schaefer (SS), Chief People and Diversity Officer
Ed Moorby (EM), Deloitte	Dan Smith (DS), Head of Procurement
Dean Gilder (DGI), Deloitte	Steve Sollars (SSo), Operational Resilience
Imran Hussain (IH), Deloitte	Shane Warman (SW), NPA Programme Director
Adam Scott (AS), Deloitte	Roy Whymark (RW), Head of Macroprudential
	Carolyn Gibson (CG), Head of Corporate Governance
Simon Morley (SM), Bank of England	Louise Rebeck (LR), Company Secretary & Special Projects
Justin Jacobs (JJ), Bank of England	David Gilbert (DG), Company Secretary
Stuart Campbell (SC), Bank of England	
Ali Aswad (AA), Bank of England	

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

22/01 Opening Business

- 22/01.1 Noting that her non-objection had now been received, MGH formally welcomed Diane Cote as a Director and to the meeting.
- 22/01.2 Quorum – The Chair noted that a quorum was present in accordance with the Company’s Articles of Association.
- 22/01.3 Conflicts of Interest – All directors 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.

- 22/01.4 Registers – The register of gifts and hospitality together with the Directors Conflicts of Interest Register were tabled and approved. It was **agreed** that past conflicts would be retained on the circulated Conflicts of Interest register for a period of two years and then be removed.
- 22/01.5 Minutes & Action Log – The draft minutes of the Board meeting held on 10 November 2021 were considered. PW proposed changes to section 21/67.7 to make it clear that market testing of any new product was required and these were accepted. DG was requested to further review the proposed redactions with MGH to ensure that these were appropriate. The minutes were **approved** subject to those revisions.
- 22/01.6 Progress with the current open action items was noted.

22/02 Committee Reports

- 22/02.1 The reports from the various Board Committees that had been circulated with the meeting papers were noted.
- 22/02.2 DC commented on the recent Risk Committee meeting and highlighted the need for timely actions to address the s.195 matters that had been identified. She noted that a number of the strategic risks were shown as being out of appetite and were expected to remain so for a significant period. The Risk team had been challenged to consider whether the timings remained appropriate. MGH reflected that there was no KPI to track the number of risks outside of appetite and DP agreed to review the position. **ACTION: DP**

HHJ & HM joined the meeting

22/03 Risk Report

- 22/03.1 DP introduced the discussion, informing the Board that he was looking to build out the capabilities and capacity in the Risk function, particularly with regard to its systemic risk capabilities. There was also a need to ensure that the business was able to continue to deliver a robust and resilient operational capability across all areas. To be able to achieve that, the business needed to continue its transformation into a more proactive organisation. However, there were still a number of resource-intense challenges that had been inherited and which needed to be resolved to free up the required capacity.

EM, IH, AS, SL, AF & SSo joined the meeting

- 22/03.2 EM presented the high-level findings from the external s.195 Skilled Person review of the Risk function. He noted that the review had been directed to assess the effectiveness of the Risk Management Framework implementation and the ability of the second line risk function to influence the actions of the first line. He advised that the initial observation was the amount of effort that had been put in by the team and others to proactively address the findings. As a result, there were no highly rated findings, although a number of areas for improvement remained.
- 22/03.3 EM took the Board through the main findings of the report, commenting on each in turn. These included the requirement for a greater focus on external threats/horizon-scanning and further work to define roles and responsibilities.
- 22/03.4 During the subsequent discussion, EM confirmed that there had been no unexpected issues identified by the review and it was clear that the business had treated the findings of the report appropriately and took its risk responsibilities seriously. A positive risk culture had been

demonstrated and the support that the Risk function received from the wider business evidenced.

- 22/03.5 The influence of the Risk function was considered and EM suggested that it could have a greater role to play as part of the Change programme. There were also opportunities for the risk team to bring a number of lessons learnt together to support the business.
- 22/03.6 The Risk team's oversight of the main outsourced service provider was discussed. The external review had suggested a number of ways in which the current control surveillance framework could be improved. It was noted that the supplier had also undertaken an internal review and had brought in a number of cyber experts from elsewhere in its organisation to support its operations.
- 22/03.7 Concluding his presentation, EM noted that a number of recommendations had already been incorporated into the existing plans and that positive work was being delivered by the Risk area.

EM, IH & AS left the meeting

- 22/03.8 Responding to the report's findings, HHJ confirmed that external resource had been engaged to provide additional support to assist with the development of a prioritisation plan. Work was also continuing to build the system of controls, processes and methodologies. A high-level plan had already been produced and work to identify resourcing and restructuring was underway. Further skills-gap analysis would also be undertaken.
- 22/03.9 In addition to the work undertaken within the Risk team, it was noted that external horizon-scanning was already undertaken by the Innovation Team. Project North Star, the strategy delivery programme, was also looking at capabilities, skills and capacity across the business.
- 22/03.10 Summarising the discussion, MGH requested that the March Board be provided with a holistic view of the Risk team. Greater clarity as to the future shape of the broader Risk function, including such activities as horizon-scanning and the work undertaken elsewhere in support, would also be required. **ACTION: DP/HHJ**

RAR joined the meeting

- 22/03.11 HHJ referred to the Operational Resilience paper and to the concept of impact tolerances. She stressed that these were a different concept to the existing recovery time objectives already in place and explained that there was an expectation by the regulators that all Board directors would be fully conversant with the requirements. To assist, a training session for the Board would be arranged prior to the March Board meeting. AB queried how the impact tolerances would be evidenced and HHJ confirmed that it would be important for the criteria for all such tolerances to be clearly documented. AB suggested that it would be helpful to engage with end user representatives as part of the work to establish Pay.UK's view of Impact Tolerances.
- 22/03.12 Commenting on the proposed introduction of an Accountability Framework, HHJ explained the main principles. The Framework and associated RACI were being introduced to address a number of findings identified as part of the governance review. The Framework sought to provide a collective view as to how Pay.UK's senior management accountabilities and responsibilities were allocated across the business. At Board level, three key roles had been identified: Board Chair; Chair of Risk Committee; and Chair of Audit Committee. Statements of Responsibility had been

drafted for all three roles. Further work was ongoing to identify the significant function holders at Senior Management level and to develop appropriate Statements of Responsibility for them.

22/03.13 Noting that the introduction of an Accountability Framework was a significant step, the Board noted the clarity of responsibilities that such an approach would bring. Accepting that the Framework would continue to evolve, the Board **approved** the Accountability Framework and **accepted** the accountabilities that had been allocated to the Board within the RACI.

*HHJ, RAR, SL, AF & SSo left the meeting
SM, JJ, SC, AA & RW joined the meeting*

22/04 Bank of England Annual Risk Letter

22/04.1 SM welcomed the opportunity to present the Bank's annual assessment to the Board and to discuss the letter to ensure a common understanding. He explained the process by which the Bank identified risks to financial stability and put forward suitable actions to mitigate those risks.

22/04.2 SM acknowledged the resilience that had been demonstrated in the delivery of the Bacs and FPS services throughout the pandemic, notwithstanding the need for homeworking. He also commented on the open way in which the company had engaged with the Bank and the very positive manner in which that had been regarded.

22/04.3 SM suggested that there were still challenges for the business as it sought to complete the buildout of capacity but confirmed that the Bank was appreciative of what had already been accomplished. It would now be important to embed that work and be able to demonstrate its effectiveness.

22/04.4 SM highlighted the need for further work to be undertaken to fully embed the risk management framework. The business would also need to be able to identify and anticipate risks in the wider ecosystems that it operated within.

22/04.5 JJ commented on the busy agenda facing the business and highlighted the fact that no Priorities had been set in the Annual Risk Letter, which was relatively unusual. He added that was due in part to the close working relationship that had been established.

22/04.6 Responding to the comments made, MGH welcomed and acknowledged the Bank's recognition of the improved relationship and also of the work that had been done. He confirmed the Board's awareness that the pace of change needed to increase but also emphasised the need for any change to have value and to deliver a reliable, quality solution. SM acknowledged that the pace of change needed to be carefully judged so that robustness and resilience were maintained without losing credibility if those changes took too long to deliver.

22/04.7 JJ reflected on the risks within the payments ecosystem, noting that in addition to the risks that were owned by the business, there was a further group of risks which Pay.UK helped others to mitigate. Further out into the ecosystem, there were a number of risks that Pay.UK could not control or influence. He suggested that it would be useful in due course for the Bank to better understand where Pay.UK's risk appetite lay in each layer and where the respective boundaries were drawn.

*SM, JJ, SC, SM, AA & RW left the meeting
DB joined the meeting*

22/05 CEO's Report

- 22/05.1 DP reflected on the commitments that he had made as part of his appointment process and on his progress against those commitments in his first six months in post. He thanked both Board and colleagues for their support.
- 22/05.2 DP suggested that whilst much had been accomplished, there was still a great deal more to be done. There were a number of competing activities underway and time had been spent prioritising those and focussing on key deliverables. There was still a need to 'clear the decks' so as to allow a more proactive and focussed approach.
- 22/05.3 DP advised that the refreshed strategy had identified six priorities, including Risk and Systemic Risk, providing confidence in delivering the Bacs, FPS and ICS services, the North Star programme and customer value initiatives. It would also be another significant year for the NPA programme. DP noted that he had been challenging the Executive to deliver value and had also revised the accountabilities for the team.
- 22/05.4 Commenting further on the Level 1 executive accountabilities that had been introduced, DP advised that such an approach allowed for greater focus on key areas and also supported the culture and values that he was looking to embed.
- 22/05.5 DB provided the Board with a short update on the approach that was being taken regarding Cloud technology. He noted that the matter had been accentuated when FMID had raised concerns regarding a prospective customer going through checks as a pre-cursor to onboarding and who had advised that it wished to use a cloud solution as part of their offering. A short-term tactical solution was being developed that should bring the onboarding process back on track. In the medium term, the various inconsistencies between the payment systems would be addressed to provide consistency. LTR welcomed the attention that the matter was receiving, noting that cloud was not a new technology and formed an integral part of many organisations' daily operations.
- 22/05.6 ME updated the Board on financial matters. He referred to the provisional outturn for 2021 and drew attention to the impact of changes that had been made to the way that revenue was recognised in the accounts. This would impact the starting position for the 2022 budget process which would be adjusted accordingly.
- 22/05.7 ME confirmed that the 2021 Financial Statements were currently scheduled to be brought to the March Board for approval.

LT joined the meeting

- 22/05.8 On Governance matters, ME reported that FMID Priority 20.01 had been closed at the end of 2021 following an exchange of letters between MGH and FMID. Work was ongoing to embed the changes.
- 22/05.9 DB referred to the update report on the ICS contract that had been included in the meeting pack. He advised that negotiations had now been concluded with the supplier and Board authority was being sought to delegate authority to DP to execute a contract [Redacted - commercially sensitive]
- 22/05.10 **It was resolved** that the contract extension be approved and that DP be authorised to finalise and execute the contract on behalf of the Board.

22/05.11 The request to approve the revised KPIs for CASS was considered. DB reminded the Board of the background to the request that had been discussed at the November Board meeting. It was noted that the changes had also been agreed by the CASS Board and were being proposed so as to drive better outcomes for users. If approved, the changes would be introduced in 2023. After consideration, the Board **approved** the proposed changes to the CASS KPIs. DB advised that initial discussions with the CMA had been positive and that he would keep the Board informed of discussions. Whilst happy to support the proposed changes, PW suggested that given the changing marketplace the Board should be prepared in due course to have difficult discussions with the CMA as to whether the considerable sums it required to be spent on marketing the service might be better utilised in other ways, such as fraud prevention.

22/05.12 The KPIs for Q4 2021 were reviewed and considered. MH noted that the report was the last in the current format given the changes to the KPIs that were being introduced. Future reports would seek to address concerns that had been raised regarding the apparent disconnect between the KPIs and risk reporting.

DB left the meeting

EM, DGI, AH, DS, DM, KF, SW, GB & TE joined the meeting

22/06 NPA Report

22/06.1 EM updated the Board on the work that had been undertaken since the original s.82 report had been issued. It was clear that significant progress had been made by the business and that the NPA Programme was in a materially better shape.

22/06.2 Given the work that had been done, EM confirmed that he was supportive of the business issuing the RFP. He noted that the complexity of the RFP could result in differing responses from the bidders and that that would need to be carefully managed. The issuance of the RFP would also signal a significant resource requirement to process and analyse the responses.

22/06.3 EM advised that as part of the s.82 work his team had been asked by the PSR to consider the level of Board engagement. He confirmed that he was aware of the detailed discussions at the September and November Board meetings and that the Board's positive approach had been reflected in his report.

22/06.4 EM noted that the NPA Programme was still reliant on external resource to support it. Whilst a resourcing and development plan had recently been put forward, EM advised that it was too early for him to be able to confirm whether it was appropriate and met all the Programme's requirements.

22/06.5 EM informed the Board that the draft report was currently with the PSR for comment and feedback, but was not expected to fundamentally change.

22/06.6 The draft business case was considered. EM confirmed that he had reviewed the report which was considered fit for purpose and sufficiently robust to be relied upon. It was understood that the report would evolve as responses to the RFP were received.

22/06.7 Welcoming the positive comments from Deloitte, AB noted that the Board had not had sight of the latest draft of the report and was therefore placing weight on the assurances being given by both Deloitte and the management as to the assurance process that had been followed. DP confirmed that he had been through the report in detail, together with the capability plan and

was confident that the business was in a position to issue the RFP. He noted that it would not be possible to move forward without doing so. He confirmed that the draft s.82 report would be issued to the Board immediately for their information. **ACTION: DP**

22/06.8 Summarising the discussion, MGH suggested that the decision to issue the RFP be taken separately from the decision to agree the capability plan so as to allow Board members an opportunity to review the draft s.82 report.

EM & DGI left the meeting

22/06.9 DP introduced SW and GB to the Board, noting that SW would be taking over as NPA Programme Director, who was leaving the organisation. The Board thanked TE for his contribution to the delivery of the NPA Programme.

22/06.10 GB took the Board through the 2022 Programme plan. He explained that were the Board to authorise the release of the RFP, then resource would be committed to work through the responses and to gap fit where necessary. The interlocking timescales of the various work elements was considered and GB confirmed that the planning had been deliberately coordinated in that manner so as to allow a complete picture to be developed in an open and transparent manner. The plan would allow the team to track against its initial planning assumptions and to adjust as required. The Board would be kept apprised of progress through the regular Board reports.

22/06.11 AH reported on the NPA's capability to deliver the RFP and the 2022 plan, noting the full capability report that had been included as an appendix to the main papers. It was noted that a small number of key appointments were still to be made but that the overall picture had been provided for completeness and to give the Board confidence as to the planning that had been undertaken.

22/06.12 DS updated the Board on the RFP, confirming that the document would be ready for issue by the end of the month. He noted the internal and external assurance work that had been undertaken. MGH referred to the number of findings that had originally been identified and DS confirmed that there were no matters outstanding that would impact the issuance of the RFP or which would affect the decisions made by the Board at its November 2021 meeting.

22/06.13 DM briefed the Board on the regulatory engagement relating to the RFP. He advised that a submission had been made following the November Board meeting and that this had generated a number of queries which had been addressed. DM noted that the PSR had a preferred option for a narrower scope for the RFP, whilst the Board were supporting a broader scope. DM reminded the Board that the removal of Bacs from the NPA scope had improved the risk profile but that an alternative approach for Bacs would be required in the future.

22/06.14 DM noted that a draft regulatory framework had been issued by the PSR at the end of 2021 which had introduced the concept of operational separation. The PSR had developed a draft compliance statement process for bidders on the matter and DM confirmed that the bidders would need to engage with the PSR regarding that.

22/06.15 MGH noted that the management had presented their ability to support the issue of the RFP to the Board through the capability plan that had been put forward. After discussion, the Board **approved** the issue of the draft RFP, subject to sight of the s.82 report, and delegated authority to DP to release the document. MGH requested any comments on the s.82 report to be raised by the end of the week so as not to delay the issuing of the RFP. **ACTION: ALL**

22/06.16 ME presented the NPA Business Plan, noting that 'The Green Book' approach had been adopted. He advised that a key finding when preparing the Plan was that the narrowing of the scope of the NPA by removing Bacs made achieving financial payback more difficult to achieve. A second key area of the plan was the reduction in fraud losses. AB reiterated that end user benefits were not just limited to service aspects but potential reductions in price and a reduction in fraud were also key considerations.

*AH, DS, DM, KF, SW, GB & TE left the meeting
SS joined the meeting*

22/07 North Star Update

22/07.1 MH reminded the Board that North Star was an umbrella programme to deliver Pay.UK's strategy. He noted that there were six strategic goals and that embedding those would be key to the programme's success.

22/07.2 SS updated the Board with the work being done on organisational design to realign the business with the new strategy. She advised that the Level 1 design work was almost complete and that a number of business cases had been developed for the remainder of the first phase.

22/07.3 SS noted that the process was the first cross-organisational restructure that had been undertaken since the merger of the former schemes to form Pay.UK. The intention was to carry out the work quickly so as to remove as much uncertainty amongst colleagues as possible [Redacted - commercially sensitive]

22/07.4 MH commented on the work being done to refine the approach to external engagement. A number of workstreams were underway with a view to identifying key areas for engagement. A recommendation would be brought to the March Board for consideration. AB noted that in addition to the existing Councils, the inherited governance structure also contained Guarantors and suggested that their ongoing role could be considered in a subsequent phase.

22/07.5 MH sought permission to publish the platform leadership strategy document on the Company's website and this was **approved**.

22/08 People Update

22/08.1 SS advised the Board that a People Strategy and a separate Inclusion Strategy had been developed during the previous year with significant employee input, internal reviews and surveys. SS noted that this was the first time either Strategy had been produced by the organisation. SS welcomed the involvement from members of the Board in the process.

22/08.2 LT confirmed that she strongly supported the Inclusion Strategy but suggested that the People Strategy appeared to have been written for colleagues and that she was looking to receive a higher-level document that was more evidence-based in terms of the current strengths and weaknesses and set out how the People Strategy linked to the strategic goals. After further consideration, the Inclusion Strategy was **approved**. However the People Strategy was be reconsidered and a revised version circulated for consideration. **ACTION: DP / SS**

*SS left the meeting
KF joined the meeting*

22/09 Fraud Update

- 22/09.1 KF referred to her paper that demonstrated that fraud prevention remained a key strategic objective for 2022 and beyond. She highlighted that Vocalink was close to delivering a preventative solution and sought the Board’s confirmation to the principle that other solution providers should be able to offer a similar service using the same data. She explained that the team wished to run two proofs of concept that would look at a prevent overlay and secondly an enhanced fraud data transportation proof of concept. Both would require engaging with customers and agreeing data permissions. The work would identify whether there were cost efficiencies for participants and end users to be achieved by allowing competition.
- 22/09.2 To be able to move the project forward, KF advised that external consultancy resource would be used whilst recruitment for specific roles was undertaken. An RfP had been undertaken and a preferred vendor identified. KF confirmed that the cost for the consultancy resource was within the agreed budget but outside the current delegated authority limit and therefore required Board approval.
- 22/09.3 The Board queried whether there was duplication between the proposed work and that underway under the auspices of UK Finance (UKF). KF explained that the business had received very clear feedback from participants that wherever possible duplication of cost and effort should be avoided but that the work proposed differed from that already underway at UKF . MGH noted that whilst UKF was looking to reduce fraud and improve prevention and detection, Pay.UK had different stakeholders, including the regulators, who were also considering how reimbursement and liability issues should be addressed.
- 22/09.4 DP suggested that Pay.UK was in a unique position to be able to collate the available data together in one place. The challenge was to clarify boundaries as to who could access that data in a secure and robust manner so as to drive out transaction fraud and deliver a value proposition for customers. It was expected that any such outcome would also take out a huge cost from the government sector, which was to be welcomed.
- 22/09.5 Summarising the debate, MGH confirmed that the Board were supportive of moving quickly to exploit Pay.UK’s unique position in the market and the data available to it. He requested a note be circulated to the Board that clearly set out the requirement from Board to be able to proceed with the Proofs of Concept work. **ACTION: DP / KF**

22/10 Governance Update

- 22/10.1 CG commented on the results of the post-Board survey that had completed following the November Board meeting. The results were mixed with several respondents noting that further work was still required to make papers clearer, shorter, less detailed and more accessible. Others noted improvements but confirmed that there was more to do. MGH encouraged all Directors to complete the surveys, adding that all feedback was welcomed and helped to develop improved outcomes.

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

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Chair