

Minutes

REDACTED VERSION



18th February 2016

To C&CCC Board of Directors

From Stephanie Watson

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CCB/021/16

MINUTES OF THE MEETING OF THE C&CCC BOARD HELD ON 18TH FEBRUARY 2016

Present:	Jane Bevis	Chair
	Bill Andrews	Santander UK
	Heather Benjamin	Independent Director
	Sarah De Bunsen	Bank of England (Observer)
	Graeme Donald	Lloyds Banking Group (phone)
	Sameer Dubey	Barclays Bank
	Colin Last	Nationwide Building Society
	Louise Lee	Bank of England (Observer)
	Steve McArdle	Independent Director (phone)
	Damian Pettit	Royal Bank of Scotland Group
	Dave Sanders	Co-operative Bank
	Lorraine Suttie	Clydesdale Bank
	Sue Yarham	HSBC Bank
	Steve Grigg	C&C Interim CEO
	Jason Aird	C&C FCM Programme Director (Item 1968 only)
	Martin Roets	PWC (Item 1970 only)
	Simon Burrows	PWC (Item 1970 only)
	Gagan Bhatnagar	PWC (Item 1970 only)
	Stephanie Watson	C&CCC Secretary

1963 CONFLICTS OF INTEREST

Conflicts of interest advised by Heather Benjamin would be added to the register. All reference to Payments Council would be replaced by Payments UK.

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MEMBER CIRCULATION

1964 MINUTES OF THE BOARD MEETINGS HELD ON 10TH DECEMBER 2015 AND 28TH JANUARY 2016

The minutes of the meeting held on 10th December 2015 were approved together with the proposed redactions.

The redacted version will be published on the C&CCC website and sent to the PSR.

The minutes of the meeting held on 28th January 2016 were not approved as Directors had had insufficient time to review and comment on them.

1965 DIRECTOR APPOINTMENTS

Directors welcomed Heather Benjamin to her first Board meeting as the new Independent Director and also welcomed Steve Grigg as interim CEO.

Louise Lee was also welcomed as the new Bank of England Observer, replacing Sarah de Bunsen. The Chair and CEO were joined by all Directors in acknowledging the contribution Sarah had given to the Board and wishing her well in her new role.

1966 REVIEW OUTSTANDING ACTIONS

- **Action 1931(i)** The Chair will have completed her programme of 1:1 sessions with Directors by the end of February. **Action Complete.**
- **Action 1946 See Minute 1970. Action Complete.**
- **Action 1946(i)** CEO and Chair to examine the PWC strategy recommendations in more detail for a further report. Depending on the availability of resource, a desk top exercise would be arranged in 1Q2016 to look at what else could or should be done. **Carried forward to a later Board meeting (tbc)**
- **Action 1956** Part of discussion on TOM. **See Minute 1969. Action Complete**
- **Action 1956(i)** Plan for addressing queries during potentially busy warranty period. Review comments on capability statement. **See Minute 1968.** Discussion on staff matters e.g. skills gaps in CO. **See Minute 1969. Actions Complete.**
- **Action 1957** Risk appetite statement presented for endorsement. **See Minute 1967. Action Complete.**
- **Action 1958** Major incidents are now managed by Schemes themselves and there is a coordination arrangement in place for them to alert each other and share information. Detail available from C&C Director Operations. **Action Complete.**
- **Action 1959** Premises update included under **Minute 1967. Action Complete.**
- **Action 1959(i)** Report on expansion of representation of service user proposal to include ongoing work to engage with Agency banks is included under **Minute 1967. Action Complete.**

1967 COMPANY REPORT

CEO Report

Steve Grigg opened by asking Directors to note the decision by the Appointments & Nominations Committee to create a new role, Senior Independent Director (SID), and to appoint Steve McArdle to it accordingly. The SID will act as Deputy Chair when required and will:-

- be a communication channel for Members to raise concerns they may prefer not to raise with the Chair directly
- provide an opportunity to meet with other NEDs, CEO and Board Directors to review the Chair's performance
- act as a sounding-board for the Chair
- be an intermediary for other Directors.

The re-vamped Company Report was warmly welcomed as part of continuing improvements underpinning the Board performance. It was noted that further improvements would be made in an effort to move from good to excellent with next steps including:-

- refining the exception reporting by Committee Chairs and developing a dashboard approach
- adding interpretation and comment on statistical information
- all Board papers to use a template that highlights the decision / discussion required from / headline information given to Board and short executive summaries of the papers.

Further explanation was requested on the deferred income figure included in the BAU budget. The cashflow problem anticipated in 2015 (caused by payment of PSR fees) did not materialise.

Dave Sanders asked in future for a line in the budget report to show if the Company budget is running to forecast.

The CEO, Chair and Jason Aird, FCM Programme Director met with HMT to provide an update on FCM progress. The meeting was described as 'tough but fair'.

The ongoing relationship between UKPA and C&CCC is improving with negotiations on the revised contract progressing well.

Heads of Agreement between UKPA and the landlord are now in place re C&CCC's use of the 1st Floor TMS with effect from December 2016 (C&CCC to remain on the ground floor until then). C&CCC will use the whole of the first floor for as long as it is needed at appropriate market rate, following completion of the FCM Programme. Options are available to sub-let as required. Subleasing liability shifts to UKPA after year 4. Overall lease will co-terminate with UKPA and other schemes located in TMS.

It was agreed that the funds budgeted for a premises move **REDACTION:**
COMMERCIAL SENSITIVITY,

would be used to fund work on the Target Operating Model (TOM) project.

Directors noted that there had been a discussion at Payments UK Board on the impact of their move to be defined as a trade association. As yet the full impact is not known but should become clear over the next 2/3 months.

Operations Management Committee

Bill Andrews reported that the Service Level Code Review Panel would meet on 25th February to receive a report from LBG on their efforts to improve their performance under the code for Wrongly Claimed Debits which has been running below the required standard for some time.

Birmingham Midshires continues to exceed the value threshold of 2% of the sponsoring Members' average daily debit in-clearing value permitted under System Rule 3.12(a). It was agreed, given that this is a short term issue, OMC should look at raising the threshold to 3%.

Governance & Stakeholder Management Committee

Steve McArdle referred to an extract of a new tracker which had been set up to manage queries/ actions/ comments/ ideas raised and decisions made at various C&CCC Stakeholder forums. The tracker is still being populated but it was noted that it would prove a very useful tool for future reference.

All new participants intending to join ICS will be asked to sign a formal Letter of Intent.

The amendment to the System Rules (10.5 PSR Fees) was approved.

The amendment to the Observer Policy, to include reference to the way in which new observers are appointed, was noted and approved.

Risk Committee

The Risk Management Policy and Risk Appetite Statements were approved, subject to amendment of paragraph 4. The content of Statement on Outsourcing Controls was approved and would be issued for signature.

Sameer Dubey drew attention to the fact that the signatory on this certificate should be the member, who is responsible for making the declaration on outsourcing. Thus, the signatory should be the shareholder rather than the Board Director. **Secretary's Note:** A revised statement, taking account of this comment has been issued for review and comment **by 14th March**. The certificate will now seek assurance from an appropriate member signatory with the Board Director asked to confirm that the signatory is appropriate to sign on behalf of the Member organisation.

Heather Benjamin felt that Paragraph 4 of the Risk Appetite Statement was unclear and offered to work with the drafters to improve and clarify the wording.

The Risk Dashboard is being reviewed and the revised version will be included in the Company Report going forward when finalised.

It was agreed that more focus should be placed on Cyber risk, taking into account the work being done by Bacs, with assistance from Craig Rice UKPA Head of Security.

The Chair asked for assurance that the risks to C&CCC of operating two systems (IBDE and ICS) in parallel for a period of time have been explored thoroughly, with legal input as appropriate.

The Chair also drew attention to the fact that Directors remain personally responsible for accepting risks even though the Company has adopted a low risk appetite position. The definition of the risk appetite should be defined in the Company objectives.

Audit & Finance Committee

Work is progressing with reaching agreement on the contract between UKPA and C&CCC for services provided by UKPA,

REDACTION COMMERCIAL SENSITIVITY

The invoices to cover PSR fees have been issued to meet the PSR timeframe. PSR requires 30% of 2015 bills to be paid 'on account' by early April 2016.

When the FCM Early Test and Learn Pilot was cancelled a 'refund' of **REDACTION COMMERCIAL SENSITIVITY** became available. This caused a governance issue because any adjustments to call invoices can only be authorised by Audit & Finance Committee or Board and, not surprisingly, members wanted their refund to be applied without delay. It was agreed that Audit & Finance Committee should investigate options for ensuring that response to issues such as this can be accelerated if appropriate.

1968 IMAGE CLEARING SYSTEM

Jason Aird introduced his FCM Programme update starting with a number of successes such as

- agreement of the fraud liability model
- agreement and approval from Bank of England to the settlement approach
- completion of the Image proof of concept
- approval of the cost allocation/ pricing model
- delivery of the test harness and
- receipt of the first software drop from the infrastructure supplier.

Bill Andrews advised that Santander UK had identified a possible issue with cost allocation re use of the fraud detection element of the central infrastructure. It was agreed this would be progressed outside the meeting but it is believed to be in relation to the pass through costs for fraud engine usage per item from the operator.

REDACTED COMMERCIAL CONFIDENTIALITY

Steve Grigg recommended the Board consider a 6 week interval between Board meetings rather than the 12 weeks currently planned, to ensure greater visibility and focus.

REDACTED COMMERCIAL CONFIDENTIALITY

1969 TARGET OPERATING MODEL

Owing to the CEO and Board discussion at the outset of the meeting there was no need for further presentation of the Target Operating Model. Instead the CEO explained briefly that this piece of work required additional resources and sought approval to commence procurement of a suitable external resource to assist.

The cost would be covered from within existing budget. Based on the papers circulated ahead of the meeting and the implications of the discussions on the Programme update, approval was granted.

1970 COMPANY GOVERNANCE

Martin Roets, Simon Burrows and Gagan Bhatnagar, from PWC joined the meeting to present their initial findings on options for the Company's future governance structure.

The presentation was not intended as a solution but was positioned to aide the debate. Key governance design themes, including legal ownership and participation structures, board size and composition, roles and responsibilities, strategy and skills, risk and controls were outlined by PWC.

Having delivered their presentation the PWC representatives left the meeting.

Given that the Board has to agree its new governance model by April 2016, if possible, some assumptions have to be made.

The Company's corporate governance and shareholder model needs to be agreed so that information can be provided to organisations which have to decide on their indicative ICS participation levels at the beginning of April 2016. Potential participants need to understand if they will be shareholders and/or appoint Board Directors, together with clarity on their responsibilities, liabilities and costs.

Acknowledging that, were PWC to undertake this study, they would require substantial input and assistance from the Company, it was agreed that a sub-set of Board Directors, led by Steve McArdle as Chair of the Governance & Stakeholder Management Committee, should scope out the work required to get to an agreed governance model, identifying what additional resource might be needed to complete the work. A number of Directors volunteered to assist and a workshop meeting would be arranged as a matter of some urgency.

1971 REVIEW OF BOARD EFFECTIVENESS

The Chair reported that most of the recommendations from the 2015 review of Board Effectiveness had now been addressed.

It was agreed that a summer Board meeting would review Board effectiveness on an annual basis, akin to the annual risk review and that a 360 degree Director feedback tool would be set up, preferably online. The Chair would use this in annual Director reviews, as would the SID, in reviewing the Chair's performance. It was stressed that this was an entirely separate exercise to the Member review undertaken by the CEO which focuses on engagement with the Scheme rather than Director performance.

1972 ANY OTHER BUSINESS

Directors drew attention to the late issue of some committee papers and asked for this to be addressed.

Date of Next Meeting:

2, Thomas More Square
Tuesday 19th April at 3pm

OUTSTANDING ACTIONS

Ref	Owner	Action	Target Date for completion
1946(i)	Chair/CEO	CEO and Chair to examine the PWC strategy recommendations in more detail for a further report at the February Board meeting. Depending on the availability of resource, a desk top exercise would be arranged in 1Q2016 to look at what	Moved to a later Board (tba)

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		else could or should be done.	
1967	Audit & Finance	Include a report of progress against forecast as an extra line in the budget	Include in future budget reports to Board
1967(i)	OMC	Investigate potential for raising the 2% value threshold for agency participation to 3% to address the Birmingham Midshires issue	Report to Board following review at OMC
1967(ii)	Risk Committee	Investigate options for signature line on Outsourcing Certificate to cover the fact that it should not be the Director who is giving assurance on a member's outsourcing controls	Report to Board following review at Risk Comm
1967(iii)	Risk Committee	Paragraph 4 of the Risk Appetite Statement is unclear Heather Benjamin offered to work with the drafters to improve and clarify the wording.	Report to Board following review at Risk Comm
1967(iv)	Risk Committee	The Risk Dashboard is being reviewed and the revised version will be included in the Company Report going forward when finalised.	Report to Board following review at Risk Comm
1967(v)	Risk Committee	The Chair asked for assurance that the risks to C&CCC of operating two systems (IBDE and ICS) in parallel for a period of time have been explored thoroughly, with legal input as appropriate.	Report to Board following review at Risk Comm
1967(vi)	Risk Committee	The Chair also drew attention to the fact that Directors remain personally responsible for accepting risks even though the Company has adopted a low risk appetite position. The definition of the risk appetite should be defined in the Company objectives.	Report to Board following review at Risk Comm
1967(vii)	Audit & Finance	When the FCM Early Test and Learn Pilot was cancelled a 'refund' of REDACTED COMMERCIAL SENSITIVITY became available. This caused a governance issue because any adjustments to call invoices can only be authorised by Audit & Finance Committee or Board and, not surprisingly, members wanted their refund to be applied without delay. It was agreed that Audit & Finance Committee should investigate options for ensuring that response to issues such as this can be accelerated if appropriate.	Report to Board following discussion at A&F Committee
1971	Chair/CEO	Investigate options for providing 360 degree feedback on Director performance	Pre planning day board meeting

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