
**Minutes of a LINK Scheme Ltd Board Meeting
Held on Tuesday 9th June 2015
The Institute of Directors, 116 Pall Mall, London**

Present:

Dr. Ken Andrew - Chairman
Lord David Hunt
Tim Allen
Anne Dalglish
John Howells
Michael Coffey
Jenny Campbell

In Attendance: Mary Buffee – Secretariat

1. Minutes of Board Meeting 6th May 2015

The minutes of 6th May had already been approved via email.

2 Matters Arising from the Minutes

Regarding secondments, Tim Allen said that it's possible that Barclays could support with resource but it will be a couple of weeks before he could discuss with John Howells.

ACTION: TIM ALLEN

John Howells outlined the need for some 'in house' legal support throughout this process and had written to Giles Peel to obtain confirmation regarding DAC Beachcroft LLP resource. Lord Hunt confirmed that he understood that a proposal was due shortly.

ACTION: JOHN HOWELLS

All other actions are completed or on the agenda.

3. Scheme Risk Register

John Howells suggested that he would not run through the register in detail but would take specific points from Board Directors. John outlined the need to consider whether there should be two risk registers; one for LSL and the other for the Scheme/ NMC but advised that this should be considered after the outcome of the Independent Governance Review (IGR).

The Board discussed the risk of a Member leaving and this section has been redacted due to its confidential nature.

The Board agreed that LINK, both Scheme and LSL do need to consider strategy and governance to ensure they can compete effectively in the UK and preserve the future of LINK. The ability of other Schemes to offer a commercial deal across a range of products, and to innovate for Members and consumers, does put them in a powerful position to win business away from the LINK Scheme unless it can respond competitively.

The Chairman made the point that innovation goes to the heart of the sustainability of LINK and John Howells confirmed that he has made the competition risk clear to the PSR on a number of occasions. This competitive point would be raised again at the upcoming NMC meeting. **ACTION: JOHN HOWELLS**

4. Scheme Finances

John presented the current status of the finances and the Board asked for some changes to be made to its presentation to provide details on balance sheet, restructuring versus business as usual, and VAT. **ACTION: JOHN HOWELLS**

5. Commercial Workstream

John confirmed that Sue Wallace is running this piece of work and whilst not present today she would attend future meeting as she now has some consultancy support from Accort on board to help project manage the commercial and migration work.

It is noted that the Board had a candid and thorough debate. The matter is to be redacted due to the commercial nature of the discussions.

The Board discussed and agreed the need to proceed with the Commercial changes and separate the IGR changes to the NMA and deal with those later once agreed. John outlined the importance of engagement with Members and said he was going to suggest a Member Working Group comprised of the ISC Members or their nominated representatives. The Board agreed to this and it would be raised at the ISC on Thursday. **ACTION: JOHN HOWELLS**

A milestone plan would also now be developed and shared with LSL and the ISC. **ACTION: JOHN HOWELLS**

The Board then discussed funding of the incorporation work, these have been redacted due to the commercial nature of the discussions.

6. Migration Workstream

John Howells outlined the approach already agreed regarding support services which is to progress discussions with external providers local to Leeds/Harrogate. It was noted that the initial offer from UK Payments Administration was some way above the cost of a local solution and agreed that this was therefore not a useful approach to pursue. UK Payments Administration will be informed after the ISC, depending on the discussion at that forum. **ACTION: JOHN HOWELLS**

The target date for the transfer of staff across to LSL is the 1st November based on the critical path which is primarily around HR dependencies including benefits package duplication and TUPE. For this reason, the HR contract with Baker Tilly is being explored first. Whilst commitments have not been made, negotiations have been entered in to and the intention is to progress at pace. ISC and NMC will be briefed on this approach. A discussion on funding is redacted on commercial grounds.

John confirmed that the insurance was in place and that the Accession Agreement has been signed and so LSL is now formally party to the NMA.

John confirmed that the website is almost up and running and would share the link to Board Directors once available. **ACTION: JOHN HOWELLS**

John outlined some of VAT issues that needed to be considered in both separation and the commercial work and how these present considerable complexity and risk. Deloitte has been commissioned by LSL to provide initial advice, focused at this stage on payment of the PSR's fees.

7. Independent Governance Review (IGR)

Lord Hunt presented an update on the IGR but before doing so clarified that he is present as an unremunerated member of the Board. His mandate is from NMC and then LSL, as both the Chair of the IGR and of the assembled Panel of independent experts. Lord Hunt commented that his pro bono basis for supporting LSL ought to be regularised and, once the IGR Report is delivered in September, he would resign. It is the decision of LSL on whether to offer him a remunerated position beyond this point. Lord Hunt also confirmed that the Panel are not remunerated other than expenses.

The draft paper outlines a broad assessment of current governance and it also explores some issues relevant to the oversight of the PSR. The Panel has made recommendations on nine initial topics. Lord Hunt confirmed that, as he unable to attend NMC in person to present the report, he has asked Alistair Darling to represent the Panel supported by Giles Peel of DAC Beachcroft LLP.

The IGR Team has received eighteen responses to the questionnaire and they are still chasing those still yet to respond. The Team has met with ten NMC Members as well as HM Treasury, the PSR, the Bank of England, and the other Scheme CEOs (BACS, CHAPS, FPS and C&CCC). There are also a number of follow-up meetings to be held with various stakeholders including potentially the Economic Secretary to the Treasury. Sir Paul Tucker has also indicated to the Governor of the Bank of England may be interested to meet.

The Board discussed the relative voting power of the respondent to the questionnaire. Lord Hunt confirmed the Members who have not yet responded, these are redacted due to their confidential status. A number of those who have not yet responded have been contacted and subsequently said they will provide a response in due course.

Lord Hunt summarised his interpretation that there is much about the current system of governance that can be improved, both from the Scheme's perspective, and that of Hannah Nixon and her team. The Panel met on the 3rd of June to consider all of the responses and provided much direction on the issues, with a view to removing the requirement for the PSR to conduct another review.

Tim Allen pointed out that there was much to consider in the document but one initial point worth raising is the independent setting of interchange by LSL and more specifically the difficulty of getting his organisation's sanction to be placed in a position of making a decision that could cause detriment to his organisation. Lord Hunt confirmed that the fiduciary duty would be difficult, but that senior members of organisations currently carry out these fiduciary duties for other Schemes. The Chairman pointed out that these Schemes e.g. CCC&C were more collaborative and agreed investment in programmes that benefited members such as cheque imaging, rather than significant sums of interchange as set by LINK.

Following discussion, it was agreed that the draft Report should now be presented and discussed at ISC on Thursday where next steps on communication to NMC for the 18th June would be agreed. It was noted that it may be desirable for LSL to add its own recommendation to NMC but that this will be decided at the ISC meeting. The paper will be circulated to ISC in its current form without comment.

8. AOB & Date of the Next Meeting

There were no items of AOB. The date for the next meeting is Thursday 9th July at 10.30 at the IOD.