

MARKET OPERATOR SERVICES LIMITED

Minutes of a meeting of the board of directors held by teleconference call, on Monday 22 February 2016 at 12.00noon.

Present:	Andrew Pinder (AP)	Chairman
	Ben Jeffs (BJ)	Chief Executive Officer
	Margaret Beels (MB)	Independent Director
	Peter Bucks (PB)	Independent Director
	Peter Simpson (PS)	Undertaker Director
	John Reynolds (JR)	New Entrant Director
In attendance:	Stephen Lyon (SL)	Finance Director
	Melanie Hughes	Addleshaw Goddard LLP

1 Preliminary

- 1.1 A quorum being present, the chairman declared the meeting open.
- 1.2 The chairman reminded those present that the meeting had been duly convened to consider and, if thought fit, approve certain proposals in relation to the minutes of the last meeting, outcome and key messages from the board planning sessions, MOSL budget 16/17 including the AGM narrative, Finance Report, Business Report, Programme updates, Appointment of external auditor, RMOMG update, review of the Dashboard and Risk register and any other business proposed.

2 Minutes of the last board meeting dated 28 January 2016

- 2.1 The minutes of the January meeting were approved with one minor change to reflect that the appointment of two independent committee members for the Audit and Remuneration committee was underway.
- 2.2 The Board also requested that matters arising from all previous meetings be presented in a single log to show all open issues and those that had been closed since the previous meeting. **(Action point SL).**

3 Outcomes and key messages from Board Planning Session

- 3.1 The Board considered the board planning session had been very useful and agreed that it should be held again in the future.
- 3.2 The Board had found it useful and informative to meet the senior leadership team (SLT) and resolved that where appropriate the SLT should be invited to attend the Board to support specific agenda items and collectively on a quarterly basis to update the Board on progress..

4 MOSL Budget 2016-17 including AGM Members narrative

- 4.1 It was reported that the budget was generally in line with the budget presented at the last meeting with two changes; increase of £100k in recruitment costs to account for the plan to recruit permanent director and other senior positions for the enduring market and the Board agreed to back date pension contributions to employee start dates which would relate to an

increase to the current year cost of approximately £30K-£50k. The Board commented that this was the right thing to do, given MOSL provided an assurance to the employees that a pension would be put into place

- 4.2 The 2016/2017 revised budget narrative was discussed in detail and recommended changes to increase alignment with the 2015/16 business plan narrative. (**Action point SL**).
- 4.3 The Board decided to restate the indicative costs for 2017/18 set out in the 2015/16 Business Plan on the basis that there was no new information on which to base a revised forecast until work on the Target Operating Model is completed. The Board agreed that it was sensible to alert members to the likely need for a one-off substantial change budget in the first full year of operation to take account of system and code changes arising from companies having direct experience of the market. (**Action point SL**).
- 4.4 The Board agreed that work would begin on the 2017/18 business plan over the summer, once work on the Target Operating Model had completed and would consult members through the Autumn with the intent of gaining agreement before the end of the calendar year.

5 Financial report

- 5.1 The Board discussed the Financial report and noted that expenditure continues to be in line with previous guidance.

6 Progress Report

- 6.1 The Board noted the RED status of the programme due to the volume of issues in Systems Ready and the tight timeline placing the delivery of future critical milestones at risk.
- 6.2 The Board reviewed the impact and lessons learned from the delay in the delivery of the STS release 1 and noted the corresponding impact that this has had on a number of other readiness milestones such as the Training plan, the Environment & Release Strategy and finalising the Master Test Strategy. The Board noted the steps CGI and MOSL are taking to address the situation and the requirement for MOSL to review and assess the recovery plan.
- 6.3 The Board reviewed the current issues associated with the Phase 1 build and associated sign off. Whilst none of the issues are in themselves are insurmountable, the Board recognised the threat that they collectively place on Phase 1 delivery on 4th April. The situation is being kept under close review by management. The Board was keen to understand whether CGI were taking the required action, the level and quality of resources being deployed and highlighted the need for CGI to expedite action to fix their issues in order not to impact delivery.
- 6.4 SIT cycle 2 began late due to CGI resource being used to resolve the STS issue, and the increment took longer to pass connectivity testing than anticipated, which has meant all time contingency has been used and SIT cycle 3 has begun. This means that all further defects found in cycle 2 will have to be resolved in cycle 3.

The Board acknowledged CGI have increased their testing capability/resource in order to catch up the lost ground.

- 6.5 The Board noted that CGI are to provide MOSL with their recovery plan that will cover all issues, this will need to be reviewed by MOSL to determine whether the plan is acceptable. The Board provided an avenue to escalate if required. It was decided the CEO would update

the Board at the end of the week which would inform whether escalation would be required from the Chairman. **(Action BJ)**

6.6 The Board noted that Samir Rahim had joined MOSL as IT Director to increase capability in the Delivery Team and that Mark Salisbury will move into the lead commercial role.

6.7 Resourcing was discussed and the Board were advised that MOSL was in discussions with an executive search firm to fill roles in IT and Market Services; and support the move to the enduring permanent SLT structure during 2016/17.

7 Appointment of External Auditor

7.1 It was confirmed that Crowe Clark Whitehall had been notified of their appointment as internal auditor.

7.2 It was agreed that subject to member approval at the AGM in March, Moore Stephens be appointed as the external auditor for an initial two year period.

8 RMOMG Update

8.1 The Board discussed the RMOMG held on 18th February and noted the following;

- The Programme Dashboard and Risk Register are to be published after a review and a summary of each Programme Management Group will also be published.
- The recent CEO update session is to become a regular quarterly session.
- Ofwat intend to implement the market readiness condition in the next month or so, with the wording amended to reflect the commitment at the workshop to ensure that data is required to be materially accurate.
- Defra is to issue a Programme Note covering the Letter of Assurance outcome.
- The first meeting of the Assurance Group, chaired by Richard MacDonald, will be held on 9th March.

9 Review of Dashboard and Risk Register for publication

9.1 The Risk Register and Dashboard were taken as read. It was noted that both are the latest weekly snapshot used by the SLT and there is a need to consider how the Board are sighted on the month-on-month movement in statuses. **(Action BJ)**

10 Any other business

10.1 The CEO updated the Board that he had been invited to attend the Ofwat Board on 25th February to discuss the programme and agreed to circulate the slides in advance for comment. **(Action point BJ)**

10.2 The Board discussed whether to publish MOSL's Letter of Assurance and decided against, given that Defra intend to issue a consolidated view of the outcome of the assurance process on behalf of the Secretary of State.

10.3 It was agreed that the Target Operating Model and the Market Entry Assurance process be presented for a deep dive discussion at the 16 March Board meeting, along with an update/discussion surrounding recruitment gaps and resourcing.

10.4 It was agreed to hold the AGM on 16 March 2016, ahead of the Board meeting and to issue invitations to members, along with proxy form on 29 February. **(Action point SL)**

11 Close of meeting

11.1 There being no further business, the chairman declared the meeting closed at 14.18pm.

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Chairman