

## Corporate direction

### New core principles

As part of a strategy review programme endorsed by the board in April 2006, an externally commissioned environmental scan and a stakeholder survey, to which members, users and vendors responded, were completed during the year. A consultation draft of the core principles was developed by APCA's board for testing with members in December 2006. After extensive member consultation and board debate, the final core principles were approved in February 2007.

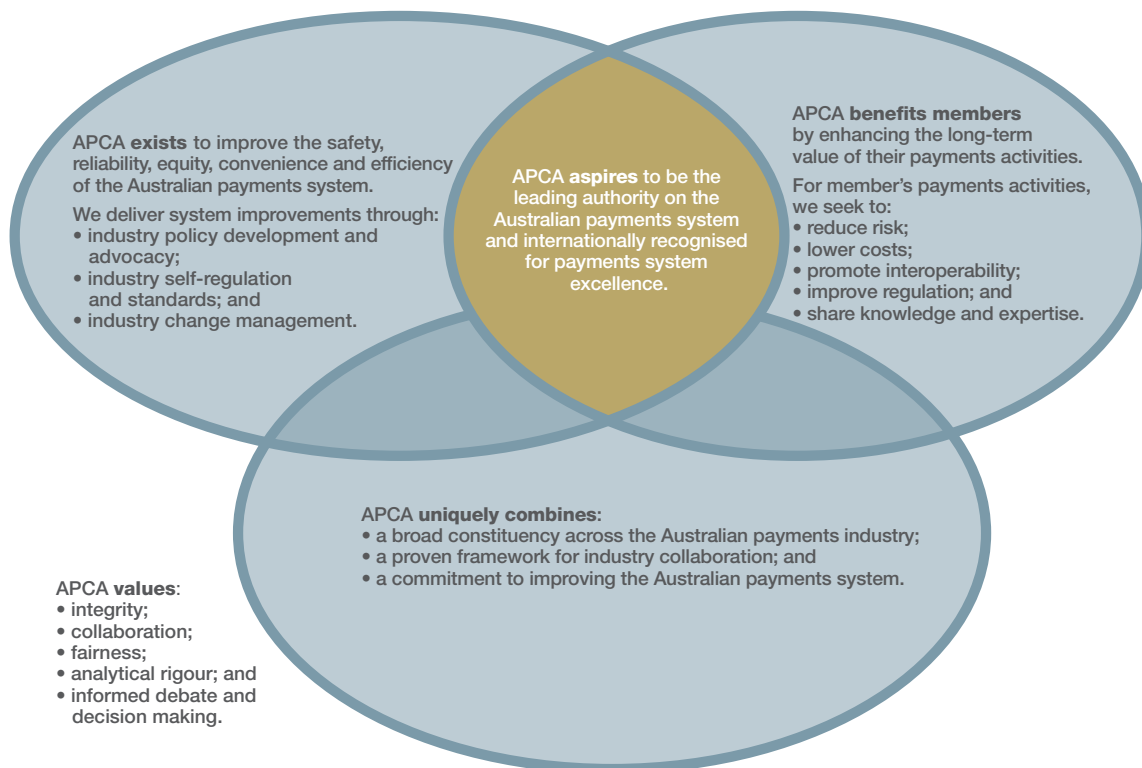
The core principles clarify APCA's purpose as improving the Australian payments system through industry policy, self-regulation and industry change management. Every aspect of APCA's activities is carried on by reference to the core principles. More detail can be found on APCA's website.

### New corporate goals

With the core principles in place, the board adopted a set of three-year corporate goals in March 2007, with the intention that they be reviewed and extended annually. These goals derive from the core principles and provide the framework against which individual proposals for project and development work in APCA's five payments clearing systems will be assessed for resourcing and priority. For the next three financial years, APCA will focus on:

- Developing consensus on payments **industry direction**;
- Promoting **self-regulatory policy** for the Australian payments system;
- Providing effective **clearing system administration**;
- Promoting payments **industry standards**;
- Developing **cooperative system improvements** for the payments system;
- Promoting **community understanding and confidence** in the payments system; and
- Enhancing APCA's own **organisational capacity**.

*This year saw a strong focus on renewing APCA's culture and business processes*

**APCA's core principles****Strengthening relationships**

APCA and the Reserve Bank jointly signed new liaison arrangements in May 2007 to promote better payments industry self-regulation. The new arrangements delineate the roles and relationship of the Reserve Bank and APCA in pursuit of their common goal of ensuring an efficient, stable and competitive payments system.

Under the new arrangements, senior staff from the Reserve Bank and APCA consult on a regular basis on issues of industry policy. To facilitate self-regulatory processes, the Reserve Bank made a decision to step away from its previous automatic rights to appoint representatives to APCA's board and management committees and remain eligible for representation on the same basis as other APCA members.

During the year, we further developed our informal consultation networks, both with our counterparts overseas such as APACS in the United Kingdom and the Canadian Payments Association as well as with relevant stakeholder bodies in Australia including the Australian Bankers' Association and Abacus (the association of mutual financial institutions).

**Advisory councils**

Advisory councils were established in APCS, BECS and CECS to broaden consultation by taking into account the views of non-member organisations with a significant role in these payments clearing systems. Advisory councils meet regularly and provide input and advice to the management committees responsible for administering each clearing system.

APCA's decision-making process has been enhanced through the different perspectives and expertise that councils bring from outside APCA's participating membership. Council members provided valuable input to a number of project developments highlighted in this report.

As reported in last year's Annual Review, APCA has been reassessing the structure and role of advisory councils to ensure the best possible engagement of the broader stakeholder community. This process has been delayed by the overall strategic realignment of APCA, and subsequent organisational restructure. However, we have gathered many perspectives on the needs of non-member stakeholders and will finalise the reassessment in the coming year.

**Process review**

Following completion of the strategy review programme, the operational planning and budgeting process was reviewed. The new core principles and three-year corporate goals have provided the foundations for a stronger strategic approach and a more structured process to prioritising work projects and allocating resources. This has been reflected in developing the 2007–2008 Operational Plan.

Revised funding arrangements were implemented during the year with a view to moving towards a member-benefit focussed funding model that meets APCA's longer term strategic cash flow requirements and provides greater certainty to members. The revised arrangements institute a volume-based operating fee quarterly in advance for participants in each clearing system based on the system's budget approved at the beginning of the financial year. Previously APCA's funding arrangements were based on recovering the actual operating costs from each system's members on an "as incurred" basis.