

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 1 November at 10.15am

Present	Baroness Manzoor CBE Bill Castell Sarah Lee Ruth Leak Jacob Abboud Nigel Fretwell Shrinivas Honap	Chair of the board Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
In attendance	Abby Thomas James Dipple- Johnstone Karl Khan Chandra Hirani Becky Willis Nicola Wadham Simone Ferreira Yvette Bannister Phillipa Cook Paul Mills Alison Hoyland Louise Corley	Chief Executive & Chief Ombudsman Deputy Chief Ombudsman Chief Operating Officer Interim Chief Financial Officer Interim Director of HR&OD Chief Information Officer Interim Chief of Staff General Counsel Deputy Director of Communications Head of Risk and Assurance Board Secretary Secretariat Manager

Introductions

The Chairman welcomed the Chief Executive and Chief Ombudsman, the Deputy Chief Ombudsman and the Chief Operating Officer to their first formal meeting of the Board.

Conflicts

The Chairman asked if there were any conflicts of interest to note. It was confirmed there were none pertinent to the business due to be discussed, but Bill Castell noted his role at Gamma Communications in the context of a service supplier relationship with the Financial Ombudsman Service.

1/1122 Board and committee meetings:

The Board agreed the minutes of the Board meeting on 19 July, subject updating an action and ensuring consistency in relation to noting interim roles.

The Board noted:

- the minutes of the Nomination Committee on 26 September;
- the minutes of the Transformation Committee on 3 August, 7 September and the oral update of the meeting on 31 October;
- the minutes of the additional meeting of the Audit Risk and Compliance Committee meeting on 30 September and the meeting on 14 October;
- the oral update of the Quality Committee on 17 October

In noting the oral update of the Transformation Committee, it was explained that the

digital business portal would be delayed further, due to a penetration test which had identified a number of priority security issues. That delay would have an impact on the next stage, the consumer portal. The Executive had assured the Committee that this was in hand, and they would provide regular updates about the delay, the consequential impact on the next stages and the project would be re-baselined. The Committee had highlighted the need for clarity and consistency in relation to the transformation metrics for efficiency and for an independent delivery assurance partner for the transformation portfolio and, as part of that, for the delivery of the portal.

In noting the Audit Risk and Compliance Committee minutes, the Board reflected on their disappointment at the delay in laying the Annual accounts, which was a result of the NAO's late audit timetable. The NAO hoped to be back to its usual cycle for the following year and was due to outline the timetable in January. Subject to the NAO's update, the Chairman stood ready to write to the NAO if the timetable was late again. In noting the action to test the 'speak-up' arrangements, it was suggested the testing should check how different types of issues were categorised and addressed, for example, some matters should be addressed through relevant HR policies. Reflections on the funding discussions were picked up later in the agenda.

In noting the update on the Quality Committee meeting, the Deputy Chief Ombudsman agreed to take forward the action on undertaking a benchmarking comparison with other organisations of service complaints and Independent Assessor referrals (or the equivalent elsewhere).

On more general points, the Chair outlined plans to:

- Review the structure and approach to Board meetings going forward, including to shorten meetings and ensure that discussion time was focussed on key matters.
- Periodically invite external stakeholders to attend to provide insight from their sector and perspective.
- Review the remit of the Board sub-committees, against the backdrop of the new executive structure, which included the new Chief Operating Officer.
- Undertake an external Board effectiveness review, to be completed by July 2023, to allow for the remaining executive appointments to be in place and the new leadership team to have embedded.
- Hold an externally facilitated Board away day in January.
- Hold some Board meetings in the Coventry office.

Actions:

- JDJ to pick up the outstanding action from the Quality Committee on the benchmarking IA volumes exercise (Quality Committee action log to be updated).
- The Chairman, the Chief Executive & Chief Ombudsman and the Board Secretary to review and update the Board agenda format and meeting arrangements.
- The Chairman, Chief Operating Officer and Board Secretary to review the remit of the Board sub-committees.

02a/1122 Q2 CEO update and executive reports

The Chief Executive and Chief Ombudsman provided an overview of the performance over the last quarter and her observations following her first two weeks in role. Key points to note included the operational performance improvements being made, but still with some way to go. The service undertook a vital function and did good work, but it was currently dealing with backlogs and was too slow; customers deserved to get fair and good quality answers more quickly. There was a need for sharper performance measures to drive efficient and effective working and also for greater awareness across the service of the financial imperatives for the organisation and everyone's role in managing those imperatives.

The Board understood there were plans to release a staff survey shortly, but were keen to understand what the wider engagement strategy comprised. The Executive would

follow this up with the Remuneration Committee.

The Board noted the new Chief Operating Officer's initial observations from his and the Deputy Chief Ombudsman's first two weeks. Like the Chief Executive and Chief Ombudsman's observations, the current delays and longer waiting times were a hindrance to achieving optimum service performance. On the oldest cases specifically, while some cases were held up for reasons beyond the service's control, such as those subject to legal challenge, others were not and the service had more operational choice over these. The Board welcomed the focus on developing clear strategies to clear the backlogs and relieve the pinch points throughout the casework process. Performance reports on the end-to-end customer journey would be provided to track timeliness for newer cases, as well as the progress being made on bringing down the oldest case queues

The Board noted the remaining updates from the executive in relation to Transformation, Finance, Technology, People, Legal, Policy and Strategy, and Communications.

Under the legal update, the Board noted the current success rate in relation to Judicial Reviews and in that context the importance of relaying the learnings to external stakeholders, where this might help prevent unnecessary challenge and/or disputes being resolved without the need for recourse to the service.

Under the technology update, as well as the update on the Digital Portal which it had discussed earlier in the meeting, the Board noted that the transition of support services from existing arrangements to an external service supplier had been completed successfully. It also noted that the Intelligent Automation project had reached the 'go live' stage. It commended the CIO and her team on these significant milestones and noted too her recent recognition in the CIO 100 UK Awards.

02b/1122 Q2 Risk review

The Board noted the current assessment of the top risks and the forward look and trend assumptions. Following discussions at the Audit Risk and Compliance Committee in July, planning timescales for reducing some of the risk ratings in line with the Board's risk appetite had been reviewed and reset to ensure a realistic and achievable view. The Board said it would like to see more specificity around the mitigations in the next report.

The Board noted the report and thanked the Head of Risk and Assurance for his work in developing a robust risk management framework.

Action

- Head of Risk and Assurance to update the risk register in relation to the financial sustainability risk.

02b/1122 Q2 Casework and financial re-forecast

The Interim Chief Financial Officer provided the key highlights on current incoming demand, resolutions and the financial position and what that meant for the full year view.

The Board discussed the risk around ensuring utilisation of the contingent resource and felt this was an important issue to resolve in order to provide the flexibility the service required. The Chief Executive and Chief Ombudsman noted this would be a consideration under the wider thinking on the organisational structure and, within that, the casework model, as well as the other associated workforce planning considerations.

For the remainder of the current year, the Board agreed the new case volume re-forecast, but asked the Executive to continue to look at ways to reinvest the current savings to achieve more resolutions in line with the budgeted assumption of 220,500.

In looking ahead to the budget for the next year, the Board discussed the need for a more ambitious view on productivity and asked the Executive team to test what the level of ambition could be, as it continued to develop its plans and budget and ahead of the

Board's next review later in November.

Actions

- The Executive to look at ways to reinvest the current savings to achieve more resolutions.
- The Executive to consider a more ambitious productivity assumption for the 2023/24 budget.

03/1122 IA update

The Independent Assessor (IA), Dame Gillian Guy, attended the meeting to provide an update at the mid-year point, following her Annual report that had been received and noted at the July Board meeting.

A key point to note was that the number of reviews the IA had issued in the six months following the annual report were higher than normal. There was acknowledgment that there would always be a time lag between seeing improvements following the IA's recommendations to the service and the complaints coming into her office, but the volume was still high even accounting for that.

The top complaint theme related to the adequacy of investigation; the IA observed that this could often be linked to a disappointment in the outcome, but often there were also shortcomings in how outcomes and the reasoning were expressed. In terms of the IA's own findings on poor handling, the top theme was 'communications'. The IA noted this was a broad theme and that this would be further broken down going forward to aid learning and mitigating action.

The IA provided some more general observations about the issues she had seen, commenting that the service might want to consider how it strikes a balance between following process and empowering casework staff to respond to the situation facing them. The Board agreed that while having the regular meetings and an action log was helpful, there was more work to do in terms of feeding back the learnings from the IA and undertaking remedial action. The Chief Operating Officer and Deputy Chief Ombudsman would be having regular meetings with the IA and would strengthen the feedback and action loop.

The Board thanked the IA and her team for the work they do and the opportunity it provided to improve the service to customers.

04/1122 Transformation programme – update and next steps

Key timelines for phased approach to organisational design work and measuring efficiency

The Chief Operating Officer provided an overview of his initial observations of the Transformation agenda and casework operations, building on his earlier points. The key points noted were having more clarity about the overall future vision, the need to develop more sophisticated ways of measuring and driving efficiency, which included better use of data and a better understanding of the insight it provided, and the need to ensure a joined up and integrated plan, where the different dependencies and opportunities could be explored and tested in the round.

The Chief Executive and Chief Ombudsman talked through the proposals to implement a phased approach to organisational change, to minimise the impact of organisational change and implementation and allow for sensible development and sequencing of key dependencies and decisions. The Board agreed to the phased approach, subject to, on the one hand, stress testing the achievability of some of the timescales, and on the other, giving further thought to whether some of the later phases could be brought forward.

Actions

- Phased approach timescales to be stressed tested for achievability and to see if any

- of the later stages could be advanced.
- January Board away days to look at the scale of ambition for what a future service might look like.

05/1122 2023/24 Budget

The Interim Chief Financial Officer provided an overview of the budget cycle and a high-level view of the direction of travel for 2023/24. He highlighted that this was an early draft for a budget 'envelope' and that the budget would develop over the next few months to take account of any organisational change and the impact of ongoing external factors, including in relation to any updated view on case volumes and wider economic factors.

The Board discussed the fact that the benefits of any transformation would not show until the following year and that the budget should reflect a 'base case' scenario with some analysis of the sensitivities and their impact. It would be useful to present this comparing the draft budget assumptions to the current year and to be clear that the service was not increasing its financial call on the industry. It would be important to be clear that the reserves would be utilised to tackle the backlogs (by reinvesting savings), with a plan to manage them down to 3 to 4 months. The Board also suggested that if certain factors remained unclear, then any associated budget for the eventuality could be 'ring-fenced'.

As noted under the earlier discussion on the position at the mid-year point, the Board discussed the need for a more ambitious view on productivity and asked the Executive team to test what the level of ambition could be, as it continued to develop its plans and budget.

Funding

The Interim Chief Financial Officer set out the proposal to delay any changes to differential case fees for the funding model to 2023/24; he and the Chief Operating Officer explained that further work was needed to ensure systems and data were capable of supporting any funding model changes. The Board was supportive of the delay, though recognised this would need to be explained clearly to stakeholders in the feedback statement.

The Board agreed the principles for calculating the price points for the levy and case fees and noted and approved the draft feedback statement.

Action

- Systems and data capture to be developed to support future funding changes and piloted, for example, to check feasibility of differential fee charges.