Financial Ombudsman Service

Minutes — Board Meeting on 19 June 2023, 10:15-13:45

Board Attendees	Executive Attendees
The Baroness Manzoor CBE, *Chairman* Jacob Abboud, *Director* Bill Castell, *Director* Nigel Fretwell, *Director* Shrinivas Honap, *Director* Ruth Leak, *Director* Sarah Lee, *Director*	Abby Thomas, *CEO/Chief Ombudsman* James Dipple-Johnstone, *Deputy Chief Ombudsman* Karl Khan, *Chief Operating Officer* Jenny Simmonds, *Chief Finance & Risk Officer and Company Secretary*

Other FOS Attendee
Mark Sceeny, *Head of Business Management*

External Observers
Gosia McBride, *Governance Office, House of Commons* Edward Potton, *Governance Office, House of Commons*

Apologies
None

Introduction

1. The Chairman welcomed the two guest observers from Mr Speaker's Governance Office at the House of Commons. The Board and Executive made introductions.

Conflicts of Interest

2. Standing conflicts noted:

- Bill Castell's role at Gamma Communications (FOS service supplier); and

- Ruth Leak's NED role at Smart Metering Systems.

3. No conflicts of interest declared.

Board and Committee Minutes

4. Minutes of Board Meeting on 22 May 2023 noted and agreed subject to:

- Reduce multiple actions for Reward Strategy to just one high-level action: review

overall strategy and return to Board in September.

5. On financial delegations (action 29 on p.6 of actions log): need clarity for new Executive on what sums are delegated and to what levels. CFRO paper going to ARAC on 29 June but whole board needs to discuss and approve once ARAC is comfortable.

6. Note: Sub-Committees to share identified high risks with each other and escalate to ARAC as a prelude to discussion at Board.

Reference	Actions	Date	Owner
BC230619/01	Paper on financial delegation from ARAC to whole Board	July Board	CFRO

Forward Agendas

7. Minutes for Transformation Committee of 12 May 2023 noted and agreed.

Reference	Actions	Date	Owner
BC230619/02	Move ESG from ARAC to Board	September	BMT
BC230619/03	Executive to check Board Minutes before publication	June	CEO/CO
BC230619/04	Transformation Committee aims to meet quarterly but bi-monthly meetings still needed at present — review in Q3	November	COO
BC230619/05	Paper on measuring reputation to Board	October	COO

CEO/Chief Ombudsman's Report

8. New format noted with approval.

9. The two big issues are productivity and IT projects. Need to improve further and regain lost ground during Q1. Impact of organisational change and uncertainty noted. But response to new operating model is positive with many people welcoming change. About 180 people are leaving. Very few complaints.

10. Digital Portal: noted independent delivery review for w/c 26 June to report on current status and identify any gaps. Fixes to data warehouse transfer to cloud possible in two months. Noted with approval the Executive's identification of risks and transparency.

11. Digital Portal was supposed to be re-baselined to 'green' but is still showing 'red' as a precaution and due to ongoing uncertainty over timelines and service-provider issues. Need to align FOS subject-matter experts with theirs. CEO/senior executives meeting scheduled.

12. FCA's new Consumer Duty launches on 31 July — FOS preparations underway and noted.

13. Noted with approval the amendment to the Financial Services and Markets Bill re potential CMC/professional representative charging. It is proceeding through House of Lords, then back to Commons. The challenge is to try and launch in 2024/25 (subject to secondary legislation and FCA consultation on rule changes).

14. New productivity forecasting will be more accurate and take account of planned absences, e.g. holidays over the summer, etc.

Reference	Actions	Date	Owner
BC230619/06	Forecast of productivity to be on rolling basis to give sense of year-end position — best and worst-case scenarios. Tie into Q1F from Finance.	Q2	CEO/COO
BC230619/07	Downgrade recruitment risk from high to medium or low.	July Board	CFRO
BC230619/08	Comprehensive email update to TransCo on IT delivery times — Board to have revised infrastructure and clear lines around timetable. Report on any service-provider gaps.	July Board	CEO/CIO

15. Functional reports noted for assurance.

Location Strategy

16. Paper noted with approval. It covered 3 areas:
    - An update on the NW region location pilot (for information)
    - The proposed future roll out and considerations (for decision)
    - Our approach to existing estate, in particular Exchange Tower (for steer)

17. The Board was asked to:
    - Agree approach to regional locations or provide alternative
    - Give steer on reducing footprint in Exchange Tower beyond existing lease break

18. Everyone agreed we need to step back first and work out, existentially, what sort of organisation do we actually want to be: whether office-based, remote working, or hybrid (as is current in London and Coventry but not the Manchester pilot). Consideration to be given to what would we do now if starting from scratch; and the key questions for attracting and retaining future talent.

19. Success of Manchester pilot noted — including significantly better performance/productivity — but not long enough to see quality results and cultural issues. Location strategy must be aligned to reward strategy (paper due at Remco in July).

20. Noted that regional clusters cost less than London. London office lease expiries are long-term dates and need to factor that into equation — but Board said this shouldn't hinder choices. Executive were asked to think about no-regrets options, e.g. lending unused office space to charities or others. Similar timescale noted for any changes to employment contracts. New staff to be recruited to regional clusters.

21. Manchester pilot staff training undertaken in London but Board felt this could/should be undertaken in regions to develop and motivate, albeit some could be done in London.

> **DECISION on Location Strategy Paper**
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> The Board agreed with the proposal to recruit across the UK on a regional cluster basis; to run targeted recruitment campaigns in Edinburgh, Belfast and Cardiff/Swansea; to require successful recruits to attend an induction and familiarisation programme; and the need to continue to review the productivity uplift this introduces and attrition costs.
>
> Board to review strategy in September.

Reference	Actions	Date	Owner
BC230619/09	Need new paper for September Awayday — what are the risks and how are we managing them? Include view on shape and size of organisation — with feedback from staff. Ensure it's a vision strategy paper that covers IT, Finance, regional locations, and fundamental ways of working —all linked in with 3YP and long-term legacy.	September Board / Awayday	KK

Zero-Based Budgeting ('ZBB')

22. Very good paper — noted and strategy agreed. It shared:
    - our approach to zero-based budgeting ("ZBB"); and
    - our early observations and insight from analysis which informs the next steps that we recommend are undertaken.

23. The Board was asked to:
    - Support the approach proposed for zero-based budgeting;
    - Consider if there are additional activities to include in next steps;
    - Provide insight into their experience where more significant interventions may be needed (e.g. terminating contracts) to change the shape of the cost base.

24. Are we spending money where we really want to? Good to be so transparent — but 30% increase in IT costs feels more like a larger organisation — are the big contracts support and maintenance? Pen testing is normally about £5K but we are spending £250K — should we use offshore companies to reduce costs? Is there duplication with service providers and internal staff?

25. Some contracts are due for renewal and will give rise to opportunities for savings. Renewed contracts over £30K must come to Board for approval.

26. Noted that lots of legacy data reports are commissioned and then end up not being used — turn them off and see how many people complain. Must clearly communicate about new reports and ensure people are using them.

27. Must ensure we are not spending too much on consultancy contracts — Executive must justify use of all consultants and they must cover critical functions. It is good the Executive are asking whether we really need something and what is the cost.

28. Cost per case and revenue per case need to be more closely aligned — how quickly to get there and which are the right levers to pull? — still need to get unit cost below £1,000.

29. Looking at IA and AI — will feed in to 3YP — at an exciting crossroads. There will be no end state as we are always changing and increasing agility — so how best do we

support that? Auto summarisation of cases? Auto identify all the touchpoints in a case for service complaints or coaching our staff. Only proofs of concept now but need to scale up and deliver. Exploring the machine-learning side of IA and thinking holistically to avoid single-point solutions.

30. The Chairman emphasised this is not about cost-cutting but focusing on being a performance-led and quality-driven organisation.

DECISION on ZBB Paper

The Board agreed with the proposal to adopt ZBB. The ZBB approach is split into two categories:

- FTE-related costs (permanent and contractor) — review already underway with new operating model reviews of casework and communications teams complete and other departments in progress.

- Non-FTE costs — to be reviewed on a contract-by-contract basis starting with all contracts >£50k per annum (as detailed in the paper).

AOB

31. The Quality Assurance Paper was noted for assurance.

32. There being no other business, the meeting ended at 13:00 for an interactive lunch and Q&A session with all staff in Coventry.

33. The next Board is on **17 July 2023 in London.**

Appointments to the Panel

34. An Appointment Paper for two new Ombudsman Leaders was noted and approved via exchange of emails after the meeting. Sunil Mirchandani and Elizabeth Easton are therefore duly appointed to the Ombudsman Panel.