

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 26 January 2021 at 14.00, via video conference call

Present

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| Baroness Zahida Manzoor CBE | Chair of the board |
| Alan Jenkins | Director |
| Graham Brammer | Director |
| Bill Castell | Director |
| Sarah Lee | Director |

Apologies

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| Heather Lauder | Director |
| Jenny Watson | Director |

In attendance

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| Caroline Wayman | Chief executive & chief ombudsman |
| Julia Cavanagh | Chief financial officer |
| Annette Lovell | Director of strategy and engagement |
| Caroline Nugent | Director of HR&OD |
| Garry Wilkinson | Principal ombudsman & director of investigation |
| Nicola Wadham | Chief information officer |
| Richard Thompson | Principal ombudsman & director of quality |
| Yvette Bannister | General Counsel |
| Alison Hoyland | Board secretary |
| Megan Webster | Policy and Communications manager |
| Chandra Hirani | Head of Strategic Finance (item 3) |
| Paul Mills | Head of Risk and Governance (item 4) |

1-2/2101 Board and committee meetings:

The board formally welcomed Sarah Lee to her first board meeting and noted that the nominations committee had agreed her appointment to the remuneration committee. The chairman thanked the outgoing chair of the committee for her time and commitment during her tenure as chair.

The board approved the minute of the meeting on 24 November. The board noted that the remuneration committee had met on 7 December. As the chair of the remuneration committee was not present to provide an oral update, the board secretary would arrange for a copy of the draft minute from the meeting to be circulated to the board for information, once approved at the next meeting of the remuneration committee. [The meeting was subsequently held on 1 February].

Action:

- The approved minute from the remuneration committee on 7 December to be circulated to the board.
[Completed].

Matters arising

At its meeting on 24 November, the board had agreed the broad scope of the next periodic review to look at: *“The future environment in which the service will be*

operating and what this means for its customers, its people and the evolution of its operating model'.

The chairman noted that since the meeting, the director of strategy and engagement, in discussion with the chairman and the chairman of the audit committee, had drafted the ToR, setting out the scope in further detail. The chairman had discussed the ToR and proposed approach in the pre-meeting with non-executive directors.

It was now proposed to split the review into two parts – part one would look back at the service's transformation over the last few years, including to understand how it had been impacted by the external environment. It would establish a 'baseline' view of the current position and operating model and identify the current challenges and opportunities which the organisation faced. Part two would be forward looking and explore where the service should set its sights and ambitions across a number of areas – from the role technology would be playing in the future in delivering services to customers, to what employees would expect from their employer and whether the concept of workplaces and working practices, for example, would likely look very different to now.

The board noted that the first phase should be 'light-touch' and, in some ways, similar to a form of post-implementation review of the service's reorganisation. The work would be largely paper based – and would draw on earlier work where it existed.

Whist noting that forward looking reviews had taken place before, it was agreed that the second phase represented a good opportunity to test whether the model and strategy for the service needed to be refreshed in the light of industry developments, changes in workplace practice in a post Covid-19 world, and growing expectations from and scrutiny by stakeholders.

[The ToR were shared after the meeting.]

The remaining matters arising were picked up in the substantive business before the board.

02/2101 Chief ombudsman and chief executive's update

fos/21/01/02

The board noted the report which focussed on key strategic and operational developments since the last meeting – central to which had been the latest Covid-19 national lockdown, introduced in January.

As it had been since March 2020, responding and maintaining resilience during the pandemic continued to be central to the service's work and planning. Access to the offices had been limited to those who could only undertake their role on-site and again, a significant number of staff were being impacted by school closures and in other ways too – either directly or indirectly as a result of the pandemic. The service continued to support staff, particularly those with caring and dependent responsibilities by providing as much flexibility as possible whilst ensuring it was able to maintain a good service to its customers. Instances of Covid-19 related illness among staff had started to rise, in line with the national picture, and people's resilience and broader well-being was being tested against the background of the ongoing impact of the pandemic on every aspect of people's lives.

While the latest lockdown had yet to impact operational performance to any significant degree, it was likely that service levels would be affected to an extent, depending on the duration of the latest restrictions. The situation would be kept under review over the coming weeks and months. The latest operational position at the Q3 point would be discussed later on the agenda.

Before the pandemic, the service had been rolling-out its 'smarter working' programme

– which included providing for a degree of remote working. Like many organisations, the ombudsman service was considering what its overall employee offer might look like in the future and how ways of working (in the broadest sense) might change as a result of the pandemic and what it had learned about different ways of doing things. While strategic decisions about the full extent of the service’s ambition, in terms of its future ‘offer’ and working places and practices for example, would be informed by the outcomes from the next periodic review and further board discussion on the wider people strategy, staff were keen to understand the direction of travel around ‘flexible’ and ‘remote’ working. What organisations could offer in terms of flexibility was already becoming a key factor in the decisions that prospective employees were making.

In thinking about flexible working in the nearer term, the service would take account of staff views; any steps the service took in the nearer term would not, though, cut across any broader strategic decisions for the future.

In reviewing the latest litigation report, the board noted that there were no systemic or recurring themes to report. Any such issues would be flagged up at each meeting in the cover note and under the annual assurance report which provided a round-up of the key litigation and legal work during the year.

Action:

- General Counsel to forward previous litigation reports (including annual assurance reports) to new board members as part of their induction
[Completed].
- General Counsel to consider (with board members’ input) any further ways in which the litigation reporting could be enhanced.
[Target date: From 2021/2022 financial year].

03/2102 2021/22 Budget

fos/21/02/03

The ombudsman service had published its plan and budget consultation in December, which was due to close on 31 January. At this stage in the budget cycle, the service continued to test and refine its budget assumptions. As part of that, the service had continued its engagement with key stakeholders and was now progressing its detailed bottom-up planning. At its February meeting, the board would consider the budget assumptions following the completion of the bottom-up planning process and in light of the consultation responses.

In the meantime, the audit committee had undertaken a review of the key assumptions ahead of the board meeting, noting that productivity, cost efficiencies, case volumes and case-mix (in the current year and next) recruitment and staff attrition were all key variables that would have a bearing on the final operational plan and budget – and that all of these would need to be seen against the backdrop of the impacts of Covid-19. It would review the latest assumptions ahead of the February and March board meetings too, paying particular regard to certain elements of the spend, including in relation to IT and change investment and management consultancy, for example.

The board noted that, at this stage, the budget assumptions remained largely unchanged from those set out for consultation, other than in relation to PPI, where the service was now expecting to receive fewer cases than its earlier assumptions had suggested and proposed, therefore, to reduce new PPI case volumes to 10,000. The board noted the uncertain picture for non-PPI case volumes and the chance that the service could see higher volumes in 2021/2022 than those it had consulted on.

The service would continue to test and challenge its overall cost base and look for further efficiencies and cost savings, accepting that there would be some difficult choices to make especially on discretionary spend. The final budget would balance

support and casework costs appropriately and ensure the focus of operational planning and resourcing continued to be directed at improving customer wait times.

A revised view would come back in February, which would include an analysis of the latest view on the alternative volume scenarios and the expected output assumptions for different areas of casework, including where the service anticipated being able to achieve high-volume and cohort working. A key focus of the February review would be on where further costs and efficiencies had been found as part of the bottom up planning.

The final budget would be agreed at the March board for submission to the FCA for final approval.

Actions:

- Reserves policy review (looking at the levels and drawdown framework) to be informed by the consultation responses.
[Target dates: February and March board and during 2021/2022].
- February board analysis to include a review of costs and efficiencies identified in the bottom-up planning and the IT and investment spend.
[Target date: February board].
- Audit Committee to undertake a review of consultancy spend.
[Target date: February NED-only audit committee meeting - completed].

04/2101 Q3 performance review

fos/21/02/04

The board noted the operational position as at Q3. The impact of Covid-19 continued to provide the backdrop to performance and to the outlook for the remainder of the year.

Casework and financial performance update

New case volumes for non-PPI work had continued to be significantly higher than forecast. Conversely new PPI case volumes continued to track below budget and had been lower again during Q3.

Waiting times at the front end and later in the customer journey in non-PPI remained under pressure due to the higher volumes, though the service's work to build capacity and capability across teams had started to bear fruit in the second half of the year – supported in part by the roll-out of the 'smarter working' technology to investigation teams who were now able to work much more effectively and productively remotely. Case resolutions were on target against the latest agreed forecasts in both non-PPI and PPI and quality scores remained on track. However, the board noted that maintaining current levels of performance until the end of the year would depend on the ongoing Covid-19 restrictions and the limitations this placed on effective and efficient working and on people's resilience.

The board noted the significant progress being made on reducing the number of the service's oldest cases. The remaining cases were dependent on the resolution of particularly complex casework and/or legal issues, a good number of which were unlikely to be resolved by the year end. Any further opportunities would though be sought for resolving as many oldest cases as possible by the year end (balancing the need to ensure fair outcomes). Previously, the quarterly performance updates had included an analysis of the oldest cases, but this had not been included in more recent updates in the interest of keeping the papers focussed on the key performance metrics. The board agreed it would be helpful for the end of year performance report to provide a round-up on the position on oldest cases and the outstanding issues which impacted on the ability to resolve these cases.

The board agreed the Q3 forecast of 210,000 new and 155,000 resolved non-PPI cases and 45,000 new and 85,000 resolved PPI cases.

Action

- Oldest case breakdown to be provided at Q4.
[Target date: April board]

People

As noted earlier in the meeting, the key people priorities during Q3 had been focussed on supporting colleagues through the ongoing challenges presented by Covid-19.

The board noted that following the November board meeting, colleagues working in mass claims had been given six months advance notice of the potential for redundancies in the next financial year. The service remained committed to providing as much information as soon as it could to impacted colleagues, including on the potential for redundancies and in relation to the opportunities there may be to retain colleagues to help support other areas of casework.

The board noted that the service had continued to meet its recruitment targets in non-PPI, despite having to move to a remote on-boarding model. A review of the service's end to end recruitment processes was helping to ensure the candidate experience was as positive as possible, that the service could continue to recruit the right people and to mitigate against attrition. This analysis included looking at the recruitment experience in its Coventry-based office, compared to recruiting in London to see if there were any insights or lessons that could be learned.

Action

- Recruitment and attrition analysis to be included in the next update on the people strategy.
[Target date: March board].
- Workforce planning strategy, including in relation to the post-PPI organisational structure to be included at the next quarterly people update .
[Target date: April board].

Risk review

Consistent with the discussions so far at the board, the updates to the service's risk register took account of the wider backdrop of the ongoing impact of Covid-19 on the service and its people. Although the risk position compared to Q2 was relatively stable, the risk ratings for "health and wellbeing" and "support capacity and capability" had been raised.

While reputational risk was a thread that ran through all the risks (as a consequence of failing to mitigate the key corporate risks), the board agreed that it would be helpful to take some time at its next annual risk review (due in March), to consider reputational risk explicitly, as it agreed the key risk themes for the following year and what the appropriate levels of tolerance should be.

Action:

- Next annual risk review to include specific consideration of the key areas which gave rise to reputational risk.
[Target date: March board].

Technology

The board noted the progress and budget update on four key technology projects involving the decommissioning of the service's legacy casework system, data archiving, data retention in the new casework system and the introduction of a new HR and finance system. The update reported on the good progress that was being made, albeit with some unavoidable delays and some modest cost increases.

[The CIO provided an update subsequently to the audit committee chairman on the additional costs in 2020/2021 in relation to phase 1 work for developing the retention capability in the new casework system – which was considerably below the £100,000 threshold discussed at the board.]

AOB

The board noted that a member of staff, Daniela Harker (*nee* Cirignano), had sadly passed away.

In further sad news after the meeting, the service heard that another colleague, Juliana Francis, had passed away.

Both Juliana and Daniela had long and impactful careers at the service. Both were known for their incredible commitment to making a positive difference and both were held in the highest of regard and would be missed very much by their friends and colleagues.

The chief executive and chief ombudsman had written to both families on behalf of the board, the executive and colleagues from across the service to send deepest sympathies.

There being no other business, the meeting ended at 5.40pm