

Financial Ombudsman Service Limited

Minutes

Minutes of the meeting of the directors, held on 20 February 2023

Present	Baroness Zahida Manzoor CBE	Chair of the board
	Bill Castell	Non-Executive Director
	Nigel Fretwell	Non-Executive Director
	Sarah Lee	Non-Executive Director
	Ruth Leak	Non-Executive Director
	Shrinivas Honap	Non-Executive Director
In attendance	Abby Thomas	Chief Executive & Chief Ombudsman
	Karl Khan	Chief Operating Officer
	Jenny Simmonds	Chief Finance and Risk Officer
	Jane Cosgrove	Chief People Officer
	Yvette Bannister	General Counsel
	Alison Hoyland	Board Secretary

1. 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

2. Board and committee meetings

The Board noted the summary of the away day discussions held on 23 and 24 January and agreed the minute of the Board meeting held on 24 January 2023.

The Board noted the minutes of the meetings the Audit, Risk and Compliance Committee on 30 January 2023 and the Remuneration and People Committee on 6 February 2023.

The Board noted the actions and discussed some amendments, as well as agreeing that the awayday actions should be added to the log, so that all actions were captured in one place. In reviewing the forward agenda for 2023 Board meetings, the Chief Executive and Chief Ombudsman noted that additional business would be added on a 3-month rolling basis, including to align the Board business and the executive priorities which it had recently mapped for the year.

Actions

- Include actions from away day on action log
- Update Board forward agenda on a rolling 3-month basis, including to align with 2023/24 executive priorities and sub-committee business
- 2023/24 executive priorities paper to come to the March Board

3. Chief Executive and Chief Ombudsman update

The Chief Executive and Chief Ombudsman provided an overview of the key highlights from her summary report. As part of the summary, the Board noted the update from the General Counsel on a number of key litigation cases of note and also the position in relation to recruitment and applicants being successful at interview.

Actions

- Note on litigation 'lessons learnt' to be sent to the Board
- CPO to follow up with NED, SL, on judicial appointment recruitment.

4. 2023/24 Service Level Agreements, Performance Measures and targets

The Board reviewed proposals for performance measurement in 2023/24. The framework comprised a set of service standards and associated target levels (which would be externally published customer-facing commitments) and a balanced scorecard and associated target levels (which would be underlying internal measures and which would form the basis of executive performance assessment).

The new framework would be clearer to interpret and provide greater transparency on performance, as well as align more robustly to the service's Performance Management Framework and ensure accountability for delivery.

The executive confirmed that the level of ambition in the 2023/24 targets was based on a robust workforce plan (informed by close analysis of underlying demand and resources) and aligned to the 2023/24 budget. While the targets were based on a stretching view of what could be achieved in 2023/24 versus 2024/25 and beyond, the executive accepted the Board challenge to continue to explore interventions and levers to push performance further and sooner. The Board noted that where the level of ambition for the targets in some areas represented a gap from current achievement, progress would be made quarter by quarter to reach the year-end goal. The reporting would track progress against the quarterly goals.

The Board discussed some refinements to the reporting to enhance clarity and understanding. The performance measures would be updated to reflect the Board discussion and would come to the March Board for final sign off.

Actions:

- 'Mountain chart' view on budget, FTE, productivity, incoming and resolved case volumes to be presented routinely under the monthly and quarterly finance reports to the Board.
- Reporting to be based on clear definitions and clear 'start' and 'stop' points for the different stages of the end-to-end customer journey.
- Adverse reporting to show impact on budget position, and mitigating steps being taken.
- Context for differential 'confidence' targets to be provided alongside the published measures.
- Consideration to be given to showing a cumulative performance position across the end to end journey, from enquiry through to resolution.
- Chairman to receive a report on cases that cannot be progressed for legal or other reasons outside the service's control, as a check and balance on the oldest case position.

5. Contingent resourcing

The Board reviewed proposals for retendering for a contingent casework resource partner to provide for continuing flexibility, not least in helping to tackle the current casework backlogs.

The Board noted the proposed contract terms which were fully flexible and would include the ability to flex the resource need up or down and re-balance the split between contingent and permanent resource, as needed. It noted too the favourable cost and output comparison.

The contingent resource facility would not be the only means by which the service could call on contingent casework support, nor was it dependent on (or a barrier to) wider strategic decisions the service would need to make as it finalised its overall organisational design and, in turn, its workforce approach/strategy. As it had noted in the earlier discussions on 2023/24 performance metrics, the Board encouraged the service to continue to explore the use of contingent resource to address pinch points and areas of challenge.

The Board agreed the proposal for retender; Board approval to award the contract would be sought in April, with the support of a recommendation to approve from the Audit, Risk and Compliance Committee.

6. 2022/23 year-end view, 2023/24 plan and budget & future financial outlook

2022/23 year-end

The Board reviewed and agreed the forward view for the 2022/23 year-end, noting that the anticipated out-turn informed the starting point for the 2023/24 budget. As a point of principle, the Board sought assurance that any re-forecast due to under-performance would be addressed, as needed, within the organisation under the usual performance management mechanisms. In terms of the continuing underspend, as discussed at previous Board meetings, and in earlier discussions that day, the executive would continue to explore further opportunities beyond the current incentive scheme to improve the year-end position, noting though the limited time for any interventions to impact the current year.

2023/24 plan and budget

The Board reviewed the latest budget update which had been informed by the responses to consultation.

In headline terms, resolution volumes had increased slightly and some transformation costs had moved from 2022/23 to 2023/24 (impacting costs) and the cost per case had reduced marginally, compared to consultation.

The Board challenged the cost per case assumptions and asked for savings to be found to reduce the costs and cost per case.

Future outlook and reserves

The service's policy was to maintain a minimum level of reserves that equated to 3 to 4 months' operating costs. The service expected to end the year with the equivalent of 6.8 months' reserves. In its consultation, the service had indicated that it was exploring how it would bring down reserves in an orderly way. The Board discussed utilisation of underspent reserves and acknowledged that better evidence of financial stability and certainty would be necessary before committing to any specific reserves utilisation plans; it noted that some potential options would be subject to consultation in the usual way. The Executive noted that the clear preference for utilisation of

reserves was in additional investment opportunities to further increase output and operational efficiency.

Actions:

- 2023/24 Budget to be updated in line with the Board direction to reduce costs and the cost per case.
- Updated budget to be presented to the FCA Oversight Committee in early March, ahead of final approval at the end of the month.
- Change/efficiency initiatives (for which further investment will need to be drawn down) to be agreed by the Board and tracked at the Transformation Committee.
- Clear proposal for the utilisation of underspent reserves to be developed for more detailed discussions in due course.

7. Understanding the perspective of an external stakeholder

Joanna Elson CBE, Chief Executive at the Money Advice Trust (MAT) attended the Board to talk about its debt advice work and issues of mutual interest.

The discussions focussed on the cost of living crisis and the impact on customers, accessibility and support for customers with additional needs more broadly, shared experiences of working across multiple channels and the challenges of running a demand-led service and scaling to meet volume.

The Board thanked Joanna for her insight and perspective and agreed that the MAT and the service shared many common priorities, as well as similar operational and strategic challenges, in their endeavours to support customers in often difficult and challenging times. The service would follow up on the kind offer for the Board and executive to visit the debt-advice call centre in Birmingham.

Papers for noting

Executive reports

The Board noted the executive reports.

Draft 2023 Internal Audit Plan

The Board noted the draft 2023 Internal Audit Plan. Audits on areas where weaknesses had already been identified reflected, to an extent, the context that the current key strategic risks provided in drawing up the plan; the Board agreed that audits of known areas of weakness would in any event add value and help identify areas of particular focus for improvement and mitigating actions. The Board noted the audit plan could be amended in-year if other risks or priorities materialised. On the planned audit to look at the systems and controls in relation to handling complaints from vulnerable customers, the Board suggested the audit include how case-handlers were supported in handling such cases.