MINUTES

MINUTES of the meeting of the directors, held on Wednesday 18 October 2017 at 09.00

Present
Nick Montagu (NM) chairman
Gerard Connell (GC) director
Alan Jenkins (AJ) director
Maeve Sherlock (MS) director
Sienne Veit (SV) director
Jenny Watson (JW) director

Apologies
Diana Warwick (DW) director

In attendance
Caroline Wayman (CW) chief executive and chief ombudsman
Julia Cavanagh (JC) chief finance officer
Chris McDermott (CMcD) chief operating officer
Annette Lovell (AL) director of engagement (items 1 to 4)
Garry Wilkinson (GW) principal ombudsman & director of new services (items 1 to 7)
Talal Barkatali (TB) head of strategic finance (items 5 & 6)
Alison Hoyland (AH) board secretary

Apologies for absence
Apologies were received from Diana Warwick.

1-4/1710 Board and committee meetings

The Board:
- approved the note of the Board meeting held on 20 September 2017;
- noted the minute of the audit committee held on 30 June 2017; and
- noted the oral update from the audit committee chairman on the meeting held on 10 October.

Matters arising
The majority of matters arising were picked up in the formal business on the agenda, with the Board noting here that arrangements were in hand for an extended Board session on the ADR landscape.

Chairman’s update:

The chairman updated the Board on the ombudsman service business in which he had been involved since the last board meeting, which had included:
- 1:1 meetings with Board directors, members of the executive and other senior members of staff;
- attending the City Banquet at Mansion House;
- spending time with staff in the service’s mass claims teams; and
- approving the latest round of ombudsmen appointments (which the Board noted).

The chairman took the opportunity of his update to set out the plans for taking forward the thinking from the Board’s strategic away day in September so that it could continue to explore and apply the themes and issues that had come up on the day. A summary note of the themes and discussion was being prepared as a useful point of reference and prompt to inform both longer term and nearer term strategic thinking, as well as help highlight any additional learning that the Board might undertake outside their areas of expertise and experience.
Chief ombudsman and chief executive’s update

Much of the chief ombudsman and chief executive’s update was picked up in substantive business later on the agenda, with the Board noting at this point of the meeting developments in relation to:
- the MoU with The Pensions Ombudsman;
- ADR access for small and medium sized enterprises;
- enquiries about the voluntary jurisdiction of the service;
- claims management regulation and dispute resolution;
- litigation and employee tribunal cases of note; and
- staff engagement and the staff survey action plan.

In noting the update on claims management regulation and dispute resolution, Board members asked that assurances on managing potential conflicts of interest form part of the final proposals when they came to the Board in due course.

And in noting an employee tribunal case, the Board sought assurances that it raised no systemic issues. The audit committee chair confirmed that he was satisfied that it did not, having reviewed the matter when it was first submitted via the ‘whistleblowing’ process, before it was re-directed as more appropriate for handling under the service’s grievance procedures.

5/1710 Q2 performance

Service performance at the half year point reflected a number of operational pressures. Overall, the service had resolved fewer cases than planned and timeliness was behind target.

Despite the pressures, the service had provided more answers to mass claims customers than anticipated, resolved more general casework cases than it had received, and continued to see high levels of quality and customer satisfaction. Notably, much had been achieved during a period of significant change.

The executive team was confident about the outlook and plans to get things back on track. The detail would be discussed later on the agenda – but in summary, it included a transition support area, an academy pod and more certainty about PPI work (now that the FCA’s rules and guidance had been implemented and its awareness campaign had begun).

The Board agreed the reforecast position for the year.

6/1710 2018/19 plan, budget & fees – initial considerations

As usual, the annual cycle for setting the plan and budget began in earnest in October with the board taking an early view on the assumptions for the following financial year. A review of the assumptions at this stage would inform any further analysis needed ahead of discussions with the industry and the FCA oversight committee.

Forecasting PPI volumes with any degree of certainty remained the biggest challenge for the following year, as predicting the course of the run-off would be for future years. While FCA’s PPI rules and guidance were now in force and its deadline awareness campaign had started, there was much which could still impact how things played out.

Given the continued uncertainty, therefore, the service would again consult on a range of possible scenarios for PPI volumes. The current view was that the central assumption would be considerably lower than previous medium term forecasts suggested. Volumes for other areas of casework were expected to stay relatively stable.
Against expected volumes, anticipated income and expenditure and a continued push for efficiencies, the service would continue to draw on its reserves in line with its established approach for seeing PPI through to conclusion.

The Board agreed that the current assumptions represented ‘reasonable estimates’ of the work expected the following year, and that the current operating and expenditure plans were realistic in the circumstances. The assumptions would continue to be refined during the budget cycle; further analysis would come to the November board, including further detail on the medium term outlook.

For now, the expectation was that the funding model would remain unchanged for the following year, but it was increasingly unlikely that the current approach would be sustainable for future years. The position would be kept under review; the option for an extended Board meeting on future funding arrangements would be kept open, and a view taken in November in the light of a more detailed review of the medium term outlook and the reserves position.

The Board noted the timetable and next steps, including:

- the FCA oversight committee and a more detailed Board review later in November;
- consultation in December;
- post-consultation review in February; and
- submission of the budget to the FCA Board for final approval in March.

7/1710 Developing the service and the people journey

Staff survey governance

Governance arrangements had been established for overseeing the staff survey action plan, with dedicated project management support to ensure timely and joined-up action.

Progress on establishing the investigation teams

The update focussed largely on what was in train and planned to help develop colleagues in investigation and relieve some of the pressure to allow them to build capacity and capability.

The pressure of targets and getting up to speed on new areas of knowledge were major features of the staff survey feedback for colleagues in investigation.

The plans for a transition support area and an academy pod would go a long way to help mitigate the pressures and address the main areas of concern for staff in this area.

Managing the PPI caseload

As noted earlier, the FCA’s PPI rules and guidance were now in force and its deadline awareness campaign had started. While many variables remained at play, the service now had a firmer basis upon which it could plan.

The staff survey had highlighted that future uncertainty and a sense of a lack of investment in development and progression were uppermost in people’s minds in mass claims. A firmer planning basis meant more certainty could be given to staff about the outlook and the choices they had.

The Board agreed the ‘offer’ the executive proposed to put forward for mass claims colleagues which included career coaching, an enhanced professional development entitlement, clear progression opportunities and outplacement support.

This ‘offer’ represented a good deal for staff and communications should emphasise that, in choosing to stay on with a more certain outlook and acceptance of the offer, people were signing up to the professional and cultural standards expected of everyone working at the service.
As part of its governance activities, the Board undertook annual reviews of its effectiveness so that it could evaluate how the Board was performing and keep improving how it worked.

In accordance with best practice, an external evaluation of performance was undertaken on a 3 year cycle and that assessment had fallen due in 2017.

Following a tender process Independent Audit had been appointed to carry out the review. The work was now complete and the Board welcomed Richard Sheath, partner, to the meeting to present his final report.

Overall the Board was working well and operating effectively. It struck the right balance between strategic leadership and operational oversight responsibilities, though, as with all Boards, this was an area that should be kept under review. The review highlighted the good relationship between the Board and the executive and the strong culture of openness. There was a clear shared set of objectives, with a common intent of driving the right values and the Board was careful to balance the interests of businesses and consumers in its deliberations.

Overall, no fundamental issues needed addressing and the report’s recommendations constituted enhancements, rather than corrections of significant weaknesses.

A number of the suggested improvements centred around drawing out the service’s strategic objectives more clearly in the business before the Board, including by adapting the presentation of the agenda and by making the links more explicit in papers. The report also recommended the identification of themes or ‘touchstones’ to guide and steer discussions. And it suggested a review of whether the approach to Board and committee review of risks had the right balance.

Other recommendations were more administrative in nature and some sought to help make sure actions were captured and followed up in a timely manner, not least to ensure accountability for delivery.

The Board thanked Richard and his team for the thorough review and the opportunity the recommendations provided to ensure the Board was operating as effectively as it could and was able conduct its business to maximum effect.

Any other business

There being no other business, the meeting ended at 14.00.