

Financial Ombudsman Service Limited

MINUTES

MINUTES of the meeting of the directors, held at South Quay Plaza, 183 Marsh Wall, London E14 9SR on Wednesday 10 November 2010 at 9.30am

Present	Chris Kelly	chairman
	Alan Cook	director
	John Howard	director
	Elaine Kempson	director
	Kate Lampard	director
	Julian Lee	director
	Maeve Sherlock	director
	Roger Sanders	director
In attendance	Natalie Ceeney	chief executive & chief ombudsman (CEO)
	Tony Boorman	decisions director
	Barbara Cheney	company secretary
	David Cresswell	director of communications & customer insight
	Stuart Curl	interim performance & finance director
	Simon Rouse	operations director
	David Thomas	corporate director
	Caroline Wayman	deputy decisions & legal director
	Jacquie Wiggett	HR director
	Mike Harris	head of planning & analysis (item 3)

1/1011 Minutes of meetings

The minutes of the board meeting held on 13 October 2010 were approved as an accurate record of the meeting.

The minutes of the quality committee meeting that was held on 13 October 2010 were noted.

The minutes of the nomination/remuneration committee meeting that was held on 2 November 2010 were noted.

2/1011 Executive update

a) *Flagship teams*

The operations director provided more information about the flagship team initiative. He explained that casework teams had been invited to submit proposals to set their own goals and to take a different, innovative approach to resolving complaints. Three teams had been selected who had submitted impressive bids

which also demonstrated their understanding of the importance of being part of a corporate entity rather than a team working in isolation. The new system had gone live on 1 November and progress was being monitored.

Action The operations director will circulate details of the flagship teams to the board.

b) Financial report

The performance & finance director reported that, since July, the deficit had been steadily decreasing and that better than 'break-even' was achieved in October. He explained that this was due both to higher productivity and to the benefits of cost reduction initiatives that were introduced in the summer. He hoped this trend would continue in November but uncertainties in respect of payment protection insurance cases might make this difficult to achieve.

c) Procurement

The performance & finance director explained that the e-procurement solution that had been introduced is an electronic portal through which all supplier and customer documents are processed. It was noted that discussions were being held with other similar organisations to collaborate with them in respect of low/medium volume or low/medium value contacts to obtain better value-for-money.

d) Management information

The board welcomed the increased range of MI that was contained in the monthly balanced scorecard.

e) Policy team

The decisions director reported that Annette Lovell (an ombudsman with wide public policy experience) had been seconded to the role of head of policy and public affairs. This had been done to strengthen the team to meet increasing demands in this area.

3/1011 Approach to risk management

The performance & finance director introduced a paper which provided details of the development of the risk framework, the approach & methodology being used, the corporate risk register and a snapshot chart of the key risks. The board was assured that there were a number of sub-risk registers below each risk which the executive reviewed regularly.

It was noted that this was a standard system for managing risk that was used in many organisations. It was also acknowledged that a certain amount of risk had to be accepted if the Service was to be run cost-effectively.

Having welcomed these further developments the board went on to discuss its role and that of the audit committee. It was proposed that as risk management sponsor, the audit committee should undertake a 'deep dive' into a key risk at each meeting, where possible. It was noted that specific risks were considered by other committees, and by the board itself from time to time, and that some risks would not require detailed reviews.

The Service's appetite for risk was also considered. It was acknowledged that the residual risk for some issues may always be above appetite. The board stressed the importance of ensuring that the document was a live system that was firmly embedded throughout the Service.

Following a full discussion and having made a number of suggestions about specific risks and ratings, it was agreed that

- a) the corporate risk register was a critical document which needed to be owned by the Board
- b) the corporate risk register should be circulated to the board (along with the management information pack) at each board meeting
- c) the register would be reviewed by the board each quarter (the timing of audit committee meetings may have to be adjusted)
- d) the audit committee would aim to carry out a detailed review of a specific risk at every meeting, and would ensure that other board committees (including the board itself) took the opportunity to take deep dives
- e) changes to the register that had been made between reviews should be highlighted
- f) one of the first areas for a 'deep dive' would be the work on improving the cost-effectiveness of the Service.
- g) a programme should be prepared by the executive that tracked the review of each risk by the relevant committee or by the board
- h) the risk register itself would be amended to ensure that there was a clear audit trail of changes from one period to the next
- i) two specific new risks were identified which the executive agreed to consider and incorporate

- Action**
1. The chairman and CEO will establish the risks that should be reviewed by the board and those that should be considered by committees – together with a pathway and a timetable for doing so.
 2. Comments about the assessment of, and appetite for, specific risks should be passed to the head of planning & analysis

The chairman thanked the head of planning & analysis for his significant input into this important issue.

4/1011 Payment protection insurance

The deputy decisions director reported that the permission hearing in respect of the judicial review proceedings will be heard over four days in the week beginning 24 January 2011. She added that preparation of the response was continuing and that it was occupying a significant amount of time.

5/1011 File review

The director of communications & customer insight presented a summary of the board's comments about the five closed case files they had each reviewed. In previous years, board members had reviewed different cases but this year, each non-executive had looked at the same five files. The summary had focussed on consideration of customers' experiences rather than a review of detailed comments about specific cases.

The board discussed some themes arising from the review and agreed that it was a valuable way of gaining insight into casehandling issues. It was also agreed that the exercise should be repeated in a year's time.

6/1011 Resource strategy update

The operations director presented an update on developments since September. He reminded the board that a different approach was being adopted for the management of the Service's in-house and contingent resources. The key objective was to ensure value for money in the use of contingent resource whilst retaining operational flexibility.

The operations director explained that the resource strategy work was one part of the broader operational change programme that included lean business process improvements and significant development of the Service's IT capabilities.

The operations director explained that the resource service provider model was being recommended because it supported the Service's aims & values, allowed efficient workforce planning and provided control of performance management. There would also be significant cost savings from not paying a premium for management and reduced reliance on contingent adjudication staff (from 30% to about 15%).

The HR director explained the advantages in using this approach to recruitment which included less risk and lower costs. Alan Cook and Julian Lee both confirmed that they had been closely involved in the development of the proposal which they fully supported.

The operations director proposed that governance arrangements should include:

- regular review of the programme risk register and plan delivery by the audit committee
- award of the final contract by the board
- oversight of the programme delivery by the executive team to ensure it is on time, to budget and to ensure that the benefits are realised

Subject to the pre-qualification questionnaire and invitation to tender documents being approved by Alan Cook and Julian Lee and the preparation of a clear audit trail, the board agreed that:

1. A procurement exercise should be undertaken to provide workforce planning services
2. The tender documents should be based on the resource service provider model.
3. The scope of the services should include permanent and contingent resource recruitment.
4. The board should take the final decision about the tender award, following recommendations from the tender panel.

The chairman thanked the operations director for his very clear paper.

Action Led by the operations director, the executive will develop the programme in accordance with the timetable proposed in the paper.

7/1011 Plan & budget 2011/12

Following the substantive discussion at the October board meeting about the budget for 2011/12, the CEO introduced a paper which provided an update on progress in the past month. She reminded the board that the next key milestone will be in December when the board will be asked to approve a plan & budget for consultation with external stakeholders in the new year.

The CEO reported that

- a) feedback from stakeholders about the priorities for 2011/12 had been positive.
- b) there had been limited reaction to proposals to raise an additional levy to increase reserves against a background of increasing volatility. She noted that the industry funding forum was meeting on 23 November when this would be discussed.
- c) there had been a number of discussions about the budget and levy with colleagues at various levels at the FSA.
- d) work was going well on financial modelling, cost reduction initiatives and internal budget setting.
- e) development of the forward looking vision for 2011/12 was also going well.

Action The plan & budget 2011/12 will be finalised for consideration by the board in December - for consultation in January.

8/1011 Any other business

The chairman reported that John Howard would be stepping down from the board from 23 November 2010 to pursue other interests which might conflict with his role on the board. He expressed his appreciation to him for his valued contribution to the board. John Howard thanked the chairman and said he had very much enjoyed working with his board colleagues and the executive.

There being no other business, the meeting ended at 1.05pm