

Minutes of the Board meeting held at 09.00 on Wednesday 14th November 2018 at Hilton Garden Inn, Finnieston Quay, Glasgow G3 8HN

PRESENT

Peter	Lauener (Chair)	:	Board Trustee
Maureen	Douglas	:	Board Trustee
Diana	Garnham	:	Board Trustee
Karen	Jones	:	Board Trustee
Kevin	McLoughlin	:	Board Trustee
Maria	Pilfold	:	Board Trustee

OBSERVERS

Steve	Birtwistle	:	Department for Education
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STAFF IN ATTENDANCE

Sarah	Beale	:	Chief Executive Officer
Emma	Black	:	General Counsel and Board Secretary
Craig	Pemberton	:	CFO and Corporate Performance Operations Director
Steve	Radley	:	Policy Director (Item 4 and 5 only)
Patrick	Makoni	:	Assistant Board Secretary (minutes)

APOLOGIES: Sharon Davies (Wales Government), Scott Ruby (DfE), Steve Fox (Board Trustee), Adrian Martin (Scottish Government), David Harris (Board Trustee) and Robert Williams (Board Trustee).

ITEM 1: WELCOME, DECLARATION OF INTERESTS, MINUTES OF THE LAST MEETING AND MATTERS ARISING.

1.1. The Chair welcomed all those present, in particular Steve Birtwistle from the Department for Education (DfE) who was attending for the first time as an observer.

1.2. There were no declarations of interests.

1.3. The minutes of the meeting held on the 29th of August were **agreed** as a true and correct record, **subject to** grammar and typographical corrections.

1.4. The Board sought more clarity on Action 5.5 from Matters Arising on Higher Education (HE) content regarding opportunities advertised on Go-Construct. The Board was advised that this would be covered in the Careers Workshop at the February Board meeting as part of the Careers Strategy.

ITEM 2: CEO REPORT Q2

2.1. The Board received the Q2 CEO Report to **note** updates and to provide a **steer** on any additional areas to include as updates for future reports.

2.2. Detail on financial performance, strategic planning and business planning would be provided in agenda items 3 and 4 below. Key points to note from the report were:

- Pensions update – The ITB Pensions Trustees application to the Pension Regulator for an exemption as a Master Trust in respect of the Defined Contribution (DC) scheme had not received consent. There were concerns that should a full application for Master Trust status fail, operating the DC fund would be jeopardised. Discussions with other pension providers had been initiated as a backup plan;

- The procurement for an organisation to take on the training of Construction Ambassadors had ended without a suitable supplier being identified. The team was working with some of the suppliers to understand the reasons for this before restarting the procurement process. Internal provision of training was under consideration as a stopgap;
- There had been some concerns from the Home Builders Federation (HBF) that the Construction Skills Fund was not suited to providing solutions for skill shortages in the house building industry. The outcome of the bids had however resulted in significant new programmes and HBF remained keen to work with the CITB;
- CITB had been approached by EDF and KierBAM to support the “demobilisation” of the KierBAM workforce at Hinkley Point C when over 300 workers will complete their work and leave site at the end of 2018. The ideal would be to reemploy them on the next phases of the project through Bouygues/ Laing O’Rourke;
- The FOM Programme remained at an amber status. The remainder of 2018 required careful navigation, particularly with two very significant decisions approaching on outsourcing and the new Head Office. No negative impact was envisaged for customers.
- The levels of prudence on forecasting, particularly around the grant scheme would be reviewed.

2.3. The Board **noted** the report and **recommended**:

- Future CEO reports to be concise with high level detail;**
- Including comparative data where there were historical figures to measure effectiveness.**

**Post meeting note on Construction Ambassadors: HSP had been contacted before the Board meeting to advise them that CITB would revert to the old system and CITB was supporting further training sessions and course delivery. HSP had commended CITB for being pro-active.*

ITEM 3: Q1-Q2 PERFORMANCE AND STRATEGIC RISKS AS AT 30 SEPTEMBER 2018

3.1. The Board received a report from the Chief Financial Officer & Corporate Performance Operations Director on Q1-Q2 2018/19 performance to **note** the performance to date, **consider** feedback for the Executive Team on areas to focus on for the remainder of 2018/19, to **agree** the proposed use of higher than planned cash flows and to **agree** the inclusion of a new strategic risk.

3.2. There was a complete KPI data set to update the Board on performance against the business plan KPIs for the first time. The half-year results of the Board outcomes were a mixed picture and would be covered in detail in the Business Planning session under Agenda item 4 below. All the seven strategic risks were sitting above the agreed tolerance levels and all had undergone “deep-dive” reviews by the Executive and the Audit and Risk Committee. A request to add a new strategic risk would also be covered in detail during the Business Planning session.

3.3. In discussion, the Board noted that the measure of Familiarity and Favourability of construction careers had regressed in comparison to the previous quarter. There was a need to carry out research to ascertain why people had a negative perception of construction as a career and how these opinions could be changed. This KPI could be benchmarked with other sectors. Overall, the Board opined that the current KPIs did not fully resonate with industry and that fewer, higher level KPIs, would help to tell the CITB story. The Executive had received feedback from a focus group of young people testing the Go-Construct website on how they viewed the industry. The recent collapse of Carillion and the Grenfell Tower incident had meant a negative perception of the industry. A draft paper on CITB’s “Big

Campaign” to be launched soon would be submitted to the Board at its February 2019 meeting for consideration. The paper would focus on the motivations and aspirations of young people to present construction as an attractive career choice.

3.4. In terms of strategic risks, closing the gap on current score versus tolerance on people required work as the impact and likelihood score was RAG rated as red and included elements of the FOM programme. The Board requested a “deep dive” on this strategic risk. The new Head Office was a window of opportunity for a culture change to change the medium term culture but there remained short term risks of loss of critical staff.

3.5. ACTION: The CFO and Corporate Performance Operations Director to prepare a “deep dive” on the People strategic risk.

Q2 FINANCIALS

3.6. Key financial highlights to note were:

- Income £246m (on budget)
- Employer Funding £55m (£14m / 20%, below budget)
- Operating expenditure £66m (£7m / 9%, below budget)
- Surplus £125m (£21m / 20%, above budget)
- FTE 1322 (100 / 7%, below budget)
- Full Year Forecast for surplus to be £39m more than budget

3.7 Cash flows were higher than planned due to lower than planned Employer Funding. The Mid-Year financial review had looked at Employer Funding options and concluded that only £2-3m of 2018/19 ideas would impact 2018/19 but considerably more could impact 2019/20 (up to circa £20m). It was recommended that planning continues on the assumption that these ideas could be funded. The published Business Plan had a trajectory to higher reserves of £48.5m by March 2021. It was recommended that this progression be accelerated to March 2019. Although unplanned, this was seen as a helpful buffer against possible BREXIT impacts.

3.8. In discussion, the Board **did not agree** to the proposal to build up reserves to the full three year position by March 2020 and made the following **recommendations**:

- Present options to the board on spend proposals such as allocating funds for hard to reach groups;**
- Review ways of making the Grant Scheme and Employer Funding fit for purpose and to submit a “deep dive” to the Board – industry had a desire to see an increase in apprenticeship numbers;**
- Ensure there was a clear explanation available to industry for any increase in reserves which would become apparent when end 18-19 financial year results would be available;**
- Format the CEO and CFO reports and create a dashboard with high level information.**

3.9. ACTION: The CFO and Corporate Performance Operations Director to implement the Board’s recommendations in 3.8 above.

ITEM 4: STRATEGIC PLANNING WORKSHOP AND BUSINESS PLANNING PROCESS AND TIMELINE

4.1. The Board had a Business Planning process and a Strategic Planning workshop for 2019/20 to 2021/22 for discussion on three areas:

- To **provide a steer** on the proposed changes to Board Outcome KPIs and the extended targets into the new 2021/22 year;
- To **provide a steer** on the possible inclusion of additional measures to the existing KPI suite;
- To **agree** the inclusion of the proposed new Strategic Risk on a BREXIT no deal scenario.

4.2. A finalised Business and Strategic Plan would be submitted to the February 2019 Board for **approval**. The first session covered **Business Planning**. In discussion, the Board made the following **recommendations**:

4.3. Proposed Changes to Board Outcome KPIs

- Provide more detail on measurable outcomes;
- Focus on apprenticeship completions as well as starts;
- Be more ambitious on outcome targets and provide a rationale for achieving the targets for example, raising the favourability indicator to make it more challenging.

4.4. Possible inclusion of additional measures to the existing KPI suite

- CITB Apprenticeship starts included as CITB's direct contribution to the Sector Plan starts target – **supported by the Board**;
- A broader diversity measure, covering a wider span than the current female and BAME characteristics, for applicants to CITB Apprenticeships – **supported by the Board**;
- Industry mental health related measure – **This was for industry to consider itself since the CITB levers were limited**;
- A measure to be baselined in 2019/20 relating to perceptions of the effectiveness of CITB's strategic investments through commissions in careers, training and development and innovation in new ways of working – **policy supported but not considered suitable as a KPI measure**.

4.5. Inclusion of the proposed new Strategic Risk on a BREXIT no deal scenario

- **Supported by the Board.**

Strategic Planning

4.6. Nation Councils had been presented with an industry picture at their inaugural meetings on the three CITB priority areas within the scope of each Nation's Terms of Reference, using data obtained from CITB research work. Feedback from the Council was:

- Industry Picture was accurate;
- Support for proposed areas of focus;
- Industry needs to modernise and CITB should play a leading role;
- Within three priorities, careers should receive particular attention, be more ambitious and include a call to action to industry;
- Should be more explicit about diversity helping to meet skill needs and be more ambitious in this area;
- Some challenges on whether grants scheme had become too restrictive, particularly management skills

4.7. Following the feedback from Councils, the Executive wanted a steer from the Board on the programme of activities from 2019 to 2022 on the three priorities of Careers, Standards and Qualifications and Training and Development. In response to a series of questions posed to the Board, it gave a steer as follows:

Careers

- **Agreed** on the proposed areas of focus;
- Change language on some of the messaging (substitute modern methods with digital);
- Show a link and tie back Training and Development to Careers;
- Provide more detail on what will support the Careers strategy, linked to KPIs and focussing on a few core areas around three elements; what CITB plans to do, the achievement, then industry wide communications on the achievement;
- Avoid taking on a wider role in any Apprenticeship Clearing Service as it was a huge undertaking that would require a lot of resourcing;
- Revisit the messaging on youth focus to include a wider audience;
- Investigate why only 30% of college-based young people studying construction courses remain in employment within the industry and track where they go post-training;
- Careers campaigns needed to link up with real employers via the National Apprenticeship Service;

Standards and Qualifications

- Create frameworks to re-skill and re-train entrants from other industries and shift from BAU;
- National Occupational Standards (NOS) were out of date for certain trades and needed to be relevant;
- Onsite qualifications had the potential to undermine apprenticeship training.

Training and Development

- **Agreed** on all the proposals but there was a need to see the big picture where Careers and Training and Development changed the perceptions of industry;
- Significant work was required on the Further Education sector within the Business Plan;
- There was a need to boost spending to mitigate a build-up of Reserves above planned levels.

ITEM 5: T LEVELS UPDATE

5.1. The Board received a paper from the Policy Director to provide an update on Government's new T level qualifications, its forthcoming review of Further Education (FE) qualifications and to consider CITB's approach to ensure that the skills needs of the industry are met.

5.2. CITB was influencing T Level reforms through direct contact with government officials and had been represented on their expert panel established to develop construction T level routes. Industry was concerned that it had not been engaged in the development of T levels hence the risk of repeating errors of the early apprenticeship Standards for construction. In addition, government was unsure of the suitability of T levels addressing industry skill needs in their current form. T levels being developed were Onsite Construction, Building Services Engineering and Digital Support Services whose content closely matched existing qualifications. This fell short of industry requirements of new and improved offers. There was also uncertainty on whether the DfE's Capacity and Development Fund to help training providers develop T level work experience placements within industry would generate sufficient placement opportunities. Further work was needed on the proposed 'transition year' for preparing students without the necessary functional skills to progress to T level.

5.3. The approach CITB was taking to address industry concerns included:

- working with Government and industry to develop a college-based vocational education system that met the needs of the construction industry, and complemented the existing apprenticeship offer by developing in-work training;
- having future L2 qualifications with scope for learners to progress to higher levels if they wished to;
- working with Government to identify the priority occupations for FE at L2 as part of the forthcoming qualifications review;
- sharing information with the IfA on CITB work done on mapping L3 qualifications aligned to T levels and those L2 qualifications which could be adjusted to a T level;
- working with Government to assist learners completing T levels to enter industry and become work through an accelerated apprenticeship or a work-based route with an accelerated NVQ to demonstrate industry competence;
- working with partners to build on the model that the Construction Skills Fund offered around T level work placements.

5.4. The Board **noted** the update, **supported** CITB's approach and encouraged the Executive to **consider** a strategy that ensures that the approximately thirty one thousand level 2 and nine thousand level 3 young people studying in college-based provision would be able to secure industry competencies.

5.5. ACTION: The Policy Director to consider adopting a strategy that ensures level 2 and level 3 college based provision would lead to industry competencies.

ITEM 6: OUTSOURCING

6.1. The Board received a paper from the Chief Financial Officer and Corporate Performance Operations Director on the CITB outsourcing programme to **review** progress made to date and to consider how the final decision as to whether to contract with the remaining potential partner should be made.

6.2. The Board was provided with context to the paper and reminded that a decision in principle to outsource had been agreed by the Board in 2016 following submission of an outline business case with the following parameters:

- Cost: Generate at least 18% cost savings in order to offset the change in VAT treatment;
- Net Present Value (NPV): £5.5m Negative NPV;
- Service: Ensure service levels are maintained;
- Timing: Ensure go-live transfer by early 2019.

6.3. 16 Possible providers had originally shown interest and these were narrowed down to three in the procurement process. Two providers later withdrew for their own commercial and governance reasons leaving the remaining potential partner. SSCL proposed a ten year contract at a cost of [REDACTED] **commercially confidential**. The Board **noted** that the proposed contract had potential to meet or better the specification including achieving an NPV of circa £1m Positive. A significant due diligence programme on SSCL, which included site visits to SSCL and discussions with some of SSCL's existing customers had been undertaken by CITB's Executive and Leadership Teams. An assurance process to review the Final Tender involving the CITB Executive and the Board would be held shortly to make a recommendation on signing, or not, the contract. In discussion the following points were raised:

- An outline business case had been prepared for the FOM programme as a whole without OBCs for each element of the programme; therefore a comparison had not been made in 2016 between the potential NPVs of different outsourcing options. Capita had however provided assurance that the OBC met HMT guidelines. The decision not to compare NPVs for different options in 2016 was not a fundamental obstacle to proceeding now but it would be essential to be satisfied that the proposal was good value for money;
- There were risks to following any option other than contracting with SSCL since a delay in the timeline would push the “go-live” date into summer 2019 with potential damaging uncertainty for staff and loss of credibility with industry. In addition CITB did not currently have the capability to manage integration of services and deflection of managerial focus would have knock-on effects to other strands of the FOM programme.
- The contract at [REDACTED] **commercially confidential** was high value, front loaded and spanned ten years. There was risk that a failure in the triennial Consensus process had the potential to subject CITB to early termination penalties with the resultant liability possibly transferring to the sponsoring department, the Department for Education (DfE). This was quantified as gross circa £8m in year 3 – the year of the next consensus result. This would be mitigated by the circa £6m of equivalent redundancy costs which CITB would incur if no outsourcing had taken place. The transaction could potentially be viewed as “novel and contentious” because of this. However, the Chair thought there was nothing in principle novel and contentious about an outsourcing project since this was a common business choice in parts of the public sector. It was agreed with the DfE sponsor representative that the position on assurance would be considered at the imminent next quarterly sponsor meeting. The General Counsel and Board Secretary would provide clarification to the Board on termination clauses if there was contract termination from either party.

6.4. The Board requested:

- **The Executive to provide external assurance that due diligence had been undertaken on the outline business case for outsourcing before committing to a decision; The Chair of the Board and the Chair of the Audit and Risk Committee to review the assurance on behalf of the Board; and**
- **Assurance that contract management capability would be established to manage the outsourcing contract effectively.**

6.5. ACTION: The Executive to provide external assurance that due diligence had been undertaken on the outline business case for outsourcing before committing to a decision; The Chair of the Board and the Chair of the Audit and Risk Committee to review the assurance on behalf of the Board.

6.6. ACTION: The Executive to submit the proposal to the DfE for their view on assurance.

6.7. ACTION: The General Counsel and Board Secretary to provide clarification to the Board on termination clauses if there was contract termination from either party;

ITEM 7: CPCS SALE UPDATE

7.1. The Board received a paper outlining details of proposed agreements relating to the purchase of the CPCS Scheme and to **agree** that delegation of authority could be used by the Executive to sign the Asset Purchase Agreements for the Sale of CPCS.

7.2. In July 2018, delegation was given to the Executive to progress the sale to execution on financial terms of consideration in the range [REDACTED]

[REDACTED] **commercially confidential**. The current evaluation of the draft contract that had been negotiated met all the terms outlined. In addition, CITB had gained further commitment from NOCN that an amount equivalent to the surplus generated by the scheme would be used in supporting the charitable object specifically for construction. This was commended by the Board as positive. It was noted that the commitment did not form part of the original offer made.

7.3. The Board **agreed** that delegation of authority could be used by the Executive to sign the Asset Purchase Agreements for the Sale of CPCS.

****Post meeting note:** This being a significant asset sale above £1m and in line with CITB's Scheme of Delegation, the contract signing could not be delegated to the Executive. Arrangements were made for the Board Chair to sign the contract.*

ITEM 8: SUMMARIES OF DISCUSSION

INVESTMENT FUNDING COMMITTEE MEETING HELD ON 27th SEPTEMBER 2018

8.1. The Board received a verbal update of the meeting held on 27 September 2018 from the Chair of the Investment Funding Committee. The Committee had approved the proposal to add more commissioning opportunities within the Careers theme which had been welcomed by the Federations. A summary of discussions would be published on the CITB website.

AUDIT AND RISK COMMITTEE MEETING HELD ON 2ND NOVEMBER 2018

8.2. The Board received a verbal update of the meeting held on 2 November 2018 from the Chair of the Audit and Risk Committee. The committee had met the new external audit manager from the NAO and a good professional working relationship had been established. Key points to report were:

- A discussion paper from the Change Director on CITB's position against NAO transformation guidance for audit committees. The paper would be shared with Trustees;
- Discussion of safeguarding concerns on the Go-Construct website;
- Approval of the External Audit Plan and review of the Management Letter;
- Review of the Finance and Investment Strategy.

8.3. The Board **noted** the updates.

ITEM 9: NATION COUNCIL UPDATE

9.1. The Board received inaugural reports from the Chairs of the Nation Councils of England, Scotland and Wales. The issues that had been discussed at each individual Nation Council were noted by the Board who stressed the need to establish a feedback loop. The key points had been discussed previously on the agenda item on the Business Plan. The Policy Director and the Industry Relations Director would co-ordinate to produce feedback reports to each Nation Council Chair.

9.2 ACTION: The Policy Director and the Industry Relations Director to co-ordinate and produce feedback reports to each Nation Council Chair.

ITEM 10: USE OF THE BOARD SEAL

10.1. The Board received a report from the General Counsel and Board Secretary on the use of the Board Seal during the quarter which it **noted**.

ITEM 11: BOARD FORWARD PLAN, ANY OTHER BUSINESS

11.1. The Board had a synopsis of its Board Development Day which had been held on the 25th of October 2018. Trustees confirmed their support of the proposal to pair with members of the Executive team to improve the Trustee/Executive working relationship. The Chair would discuss pairing arrangements with trustees. A competition had been launched by the DfE to replace Trustees that were not extending their tenure on the Board. Expressions of interest were invited from the remaining Trustees to consider committee vacancies for chairs and members that had arisen as a result.

11.2. The Board **received** its Forward Plan and commented that there was a need to ensure that the agenda was manageable. The next Board meeting would be held on the 20th February 2019 in Wales.

VALEDICTION

11.3. Maria Pilfold and Karen Jones were attending their last Board meeting as they had reached the end of their term of office. Tribute was paid to the service they had rendered to the Board who wished them well in their future endeavours.

11.4. There being no further business to discuss, the meeting was closed at 1400hrs.

11.5 ACTION: Chair to discuss individual pairing arrangements with between trustees and the Executive team.