

Minutes of the Board meeting held at 09.00 on Wednesday 20 February 2019 at St David's Hotel, Havannah Street, Cardiff, CF10 5SD.

PRESENT

| | | | |
|---------|--------------------------|---|---------------|
| Peter | Lauener (Chair) | : | Board Trustee |
| Maureen | Douglas | : | Board Trustee |
| Steve | Fox | : | Board Trustee |
| Diana | Garnham | : | Board Trustee |
| Kevin | McLoughlin | : | Board Trustee |
| Holly | Price | : | Board Trustee |
| Robert | Williams | : | Board Trustee |

OBSERVERS

| | | | |
|--------|------------|---|---|
| Steve | Birtwistle | : | Department for Education |
| Sharon | Davies | : | Government Observer Wales (from 9.35am) |

STAFF IN ATTENDANCE

| | | | |
|----------|-----------|---|-------------------------------------|
| Keith | Ambrose | : | Finance Director |
| Sarah | Beale | : | Chief Executive Officer |
| Emma | Black | : | General Counsel and Board Secretary |
| Braden | Connolly | : | Director of Products & Services |
| Steve | Hearty | : | Director of Apprenticeships |
| Craig | Pemberton | : | Chief Financial Officer |
| Steve | Radley | : | Policy Director (Item 4 and 5 only) |
| Victoria | Walsh | : | Minute taker |

APOLOGIES: Adrian Martin (Scottish Government), Yvonne Kelly (Board Trustee).

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

1.1. The Chair opened the meeting with a welcome to all those in attendance, with a specific welcome and thanks to Holly Price (**HP**), Training and Development Director for Keltbray attending today as a newly appointed Board Trustee. The Chair confirmed that Yvonne Kelly the CEO and Principal of Barking and Dagenham College was the second Trustee appointment but due to short notice had been unable to attend today's meeting.

1.2. There were no Declarations of Interest.

1.3. The Minutes of the last meeting held on 14 November 2018 were accepted by the Board and authority given to the Chair to sign the same as a true and correct record.

1.4. In 'Matters Arising', the Chair reviewed the Actions and, in respect of Action 6.5, confirmed that he as Board Chair and Diana Garnham (**DG**) as Chair of the Audit and Risk Committee had overseen the due diligence in relation to the outsourcing of support services to SSCL. It was noted that the early signs from the transition phase were promising. The CEO confirmed that General Counsel had completed Action 6.7.

1.5. The Chair made reference to the Strategic KPIs and noted that the number had increased by two further KPIs despite a request for rationalising. The Chair encouraged the Trustees to consider whether the KPIs effectively tell 'the [strategic] story' under Item 3 on the Agenda.

ITEM 2: CEO REPORT Q3

2.1. The Board received the Q3 CEO report **to note** the updates; **to review** the update on the Divestment Programme and **approve** recommendations as appropriate; and **to suggest** any areas to include as updates for future CEO Reports or advise of unnecessary detail.

2.2. The Chair invited the Trustees to raise comments and questions on Part 1 and in recognition of the recent appointment of **HP** invited **HP** to request clarification on issues which were unclear.

PART 1

Financials

2.3. The Chair sought clarification on the Summary Financials table under para 3.1. The figures were different to those in Craig Pemberton's ('**CP**') report submitted with the meeting papers. The latter showed that the under-spend had increased from £32M to £34M. CP confirmed that the figures covered different periods and that the variance was due to the most recent, planned, monthly forecast update.

Go Construct

2.4. At para 4.6 on Go Construct, Maureen Douglas ('**MD**') found the information really useful and said she would welcome a more regular update in recognition of the significant investment in Go Construct. The importance of the Board having sight of performance and user interactions was highlighted. The CEO advised that all CITB 'products' are subject to a periodic review but noted the value of this review not just happening at the end of a project.

2.5. ACTION – CEO agreed to bring back the whole Careers piece to the next Board meeting.

2.6. Steven Fox ('**SF**') raised the issue of some areas in particular parts of the country not having sufficient access to the internet so unable to get 'on-line' to access the Go Construct site. There was a question to be answered around how successful the platform is at getting the message across to the audience. Stephen Radley ('**SR**') agreed that there is a need to get good quality data to ensure that we understand who's using the system and how often.

Levy Debt

2.7. At para 7.2. **MD** queried the Levy Debt and in particular asked about the debt that had been 'zeroed'. The CEO confirmed that the estimated debt has always in effect been zeroed to write off as bad debt. Historically the debt recovery process has not been robust but, with support from SSCL and our legal department work will commence to cleanse the debt data and where possible convert estimated debt into bona fide recoverable debt or be removed as appropriate

Risk/Card Fraud

2.8. At para 3.7. **DG** asked if it was felt that the increase in numbers is attributable to more fraud or the better detection of fraud. The CEO recognised that on this occasion it had been a big 'find' but noted that there was work to be done with individuals who were unaware that the cards they were issued were fraudulent. Vouchers had been issued to these individuals so that CITB could track

how many re-apply and undertake the test. The CEO raised the bigger issue of why the Industry was still reliant on cards in a digital age.

Ambassador Programme

2.9. At para 4.2 **DG** raised the issue of the Ambassador programme and expressed her view that the Ambassadors programme may not have a genuine connection with their audience.

Funded Activity

2.10. The CEO advised the Trustees that CITB does not 'own' National Occupational Standards but Skills Development Scotland had formalised the 'supplier' process through a procurement. Whilst it was felt CITB would continue in its role, it was possible that it would become one of many setting the standards. DG stressed that this was a critical relationship for CITB and one that would need to be discussed further.

Pension scheme

2.11. At para 10.2 **SF** raised the issue of the ITB pension and the potential liability. The CEO advised that the historic pension scheme was in debt and would require a buyout of £71M if CITB ceased to exist. The Scheme is based on a 'last man standing'. Currently ECITB and SEMTA who are still operating under this Scheme, are the next largest members of the remaining seven and, if any employer should cease with a deficit in their pension scheme, the debt would be shared across those still in the scheme with CITB holding approx.68%. This would not be immediately payable. There is no enforceable requirement in the Scheme that members hold reserves. The CEO has already flagged to the Pension Company concern over the financial position of others in the scheme. The Chair noted that, from the information available, it does appear that CITB carries a risk.

PART 2

Divestment Programme

2.12. The Chair invited Braden Connolly ('BC') to present Part 2 of the CEO Report.

2.13. The Board considered the information presented in the supporting paper and were invited to approve the Exec recommendation to progress the divestment programme. The CEO emphasised that in their deliberations the Trustees must give due consideration not only to the financial return but importantly to CITB's charitable concern to ensure the continuity of training delivery and quality. The Trustees noted the advice and agreed on this approach.

NCC South (Erith) – (Business)

2.14. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

2.15. **SF** asked for the valuation methodology. **BC** advised that the valuations were from external advisors Bates Wells and Braithwaite on the basis of 'multiplication of earnings', discounted cash flow and net asset disposal. Robert Williams ('**RW**') asked about the value of the assets? **BC** advised that there was very little asset value, some poles, IT and rigs.

2.16. The Chair asked the Trustees to confirm that they were happy to approve that the Exec progress the current bid from [REDACTED] (Confidential & commercially sensitive) to Heads of Terms on the understanding that all Heads of Terms would come back to the Board for final approval.

2.17. [REDACTED]
[REDACTED] (Confidential & commercially sensitive)

NCC Midlands (Kings Norton) – (Business)

2.18. [REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

2.19. [REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

2.20. [REDACTED]
[REDACTED] (Confidential & commercially sensitive)

NSAC and Assessors & Verifiers and Health & Safety Training – (Business)

2.21. [REDACTED] (Confidential & commercially sensitive)

Health & Safety

2.22. [REDACTED] (Confidential & commercially sensitive)

NSAC and A&V

2.23. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

2.24. RECOMMENDATION AND DECISION: Trustees were asked to endorse the recommendation that the offer from NOCN for the purchase of NSAC and A&V be progressed to Heads of Terms, subject to the caveat on the negotiation on redundancy costs – **the Trustees gave unanimous approval.**

Bircham Newton – (Business and Land)

2.25. More than one offer for the site had been expected and latterly focus was diverted to one key bidder who, in the event, was regrettably unable to proceed with their bid and withdrew from the process. The initial thinking was to sell land and business together to get better engagement. However, the packaging discouraged potential bidders interested in the business only.

2.26. [REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

Inchinnan – (Business and Land)

2.27. [REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

2.28. [REDACTED]
[REDACTED]
[REDACTED] (Confidential & commercially sensitive)

2.29. The CEO updated that [REDACTED] (Confidential & commercially sensitive) had that morning stated they were keen not to lose the training from the area but did not want to make the capital investment in the land. A further option was under consideration which may be to collaborate one or more bidders to capture the necessary expertise and achieve the best outcome.

2.30. The Chair summarised that the Board should take its time and take advice on the best path and look at all other options before taking a decision on Bircham and Inchinnan and went on to highlight the risk of CITB losing credibility if land was sold off, which resulted in a loss of training provision. Trustees were unanimous in their view that the continuity of training was the priority even were that to mean a loss of return on the value of the property.

2.31. RECOMMENDATION AND DECISION: Trustees were asked to endorse the recommendation that CITB re-approach the divestment of Bircham Newton and Inchinnan on the basis of a separate business and land sale - **the Trustees gave unanimous approval to the Exec to proceed on the basis of their recommendation.**

2.32. Following general discussion the Chair asked that three key issues be noted –

- The divestment must not become a distraction from CITB's core deliverables;
- There is an absolute need to ensure training continues – a failure on this will cause significant harm to CITB's credibility;
- The Exec were cautioned to be mindful of things that look good on paper but later collapse;

2.33. The Chair summed up that there was a clear path ahead on these matters with no expectation that **BC** needed to revert back to the Board where the recommendations are approved.

ITEM 3: Q3 PERFORMANCE AND STRATEGIC RISKS AS AT 31 DECEMBER 2018

3.1. The Board received a report from **CP** the Chief Financial Officer to **note** the performance of 2018/19 to date and **to consider** and **feedback** to the Executive on areas of focus for the remainder of 2018/19.

KPIs

3.2. CP emphasised that the KPI results are the best seen in recent years whilst acknowledging that there are five KPIs at either red or amber. The Board were asked to **note** that KPI 9 Targeted funding was red in the paper (incorrect) but amber in the slides (correct).

3.3. ACTION – CP to update the RAG on KPIs

3.4. The Chair asked that the discussion pause to look at the KPIs. The Chair observed that the current picture didn't feel like a strong position, where at the last meeting the Board were looking for more focussed KPIs that were less high level. There were now two more KPIs and those presented did not yet have the clarity needed. CP helped to clarify the discussion by highlighting that for the performance year 2018/19 – the item under discussion - the KPIs were set a year ago and these were being reported on in the quarterly update. Changes to KPIs for future years were set out in the business Plan section of the meeting agenda.

3.5. In discussion, the Board observed that the number of KPIs in red and amber suggested that the interventions weren't achieving the results Industry wanted and needed. It was noted that there was an apparent difference in feedback from industry employers and what CITB was capturing by way of data. This concern was borne out by the fact that claim of Grant was significantly reduced. The Board raised the key issue of a lack of alignment between the Strategy and the KPIs which was echoed within the Nation Councils.

3.6. The CEO acknowledged the need for alignment between the Strategy and the KPIs and that, although there was a level of alignment, this was not sufficiently evident. The CEO looked to the future Business Planning to address the issue. It was agreed that there should be a richer set of KPIs for the Board than those presented to Industry.

3.7. The Board recommended that the Executive sought to identify clear links between KPIs and (say) six key deliverables that are relevant to industry employers.

3.8. It was acknowledged by the Board that there was a need to delve deeper into the reasons behind the poor KPIs and how and why the data are being affected. CP advised that this issue is a point made in the Business Plan as it sets out a direct line of sight between the KPIs and the 'big six'.

3.9. The Chair acknowledged this and emphasised the critical need remained to communicate 'the story' about CITB's activity and impact.

Strategic Risks

3.10. CP highlighted the Risk table. All 8 risks sat above tolerance. Three of the eight risks were within the 'safety zone'. There had been a 'deep dive' on the 'People Risk' at the Audit & Risk meeting on 6th February 2019 and the Board noted the advice that there was a high level of uncertainty but the mitigations were in place, which it was hoped would bring the 'people' risk within tolerance by the end of 2019. It was recognised that more information about the risk on the ground would become available in September 2019.

3.11. There was a model for no deal Brexit which also looks at economic uncertainty broadly but the Board noted that there was not a great deal of merit in looking into this issue in any greater detail. SR explained that CITB's focus was on understanding how exposed the industry was to the economic impact of No Deal and what could be done to support to maintain investment in skills in that scenario.

Financials

3.12. Key financial points to note were:

- Costs and funding deviated from plan but stabilised in Q3;
- A 'deep dive' on the Grants Scheme would not result in a big impact in 2019/2020;
- Employer funding was 25% below forecast and operational costs were 5% below leading to a high surplus. The forecast for full year surplus is therefore £30m more than budget.

3.13. In discussion, the Board recognised that the intelligence being received from employers coincided with the report. The CITB Grants Scheme reforms were not having the impact that was expected. The key question for consideration was whether the lack of employer claims equated to a lack of training or was the training being delivered in any event?

3.14. There followed a detailed debate about the various definite and potential causes of the low uptake in Grant including an underestimation of the impact of the changes to the types of training that qualify for grant. The changes raised the question from some employers as to why they are levied on the whole of their business when they are only able to claim grant for in scope construction related training? Some ATOs were by-passing the claim system altogether which raises the question as to how important the Grant is to employers? Some issues with the Training Model remain unresolved and will continue to do so until end 2019. Whilst the automated system was well received, the manual temporary fix continues to be used by employers. Investment was needed to make the automated system work instead of temporary fixes.

3.15. The Chair summed up the discussion noting:

- There was a clear need for the Exec to update the Board on its proposals for the Funding Strategy;
- The Exec would need to balance the issue of short term grant funding and longer term skills funding;
- It was critically important to identify key 'one off' funding to maximise impact to industry.

3.16. ACTION: CITB should update the Board on progress on the work on its future Funding Strategy that it took to Board in August 2018 and in particular to agree how CITB will now make best use of the surplus funds to best meet Industry needs.

ITEM 4: NATION COUNCIL REPORTS AND BOARD RESPONSE

4.1. The Board received all three Nation Chair Reports from the Nation Councils and were grateful to the Chairs for the focus on 'Priority Issues.' Taking each Council in turn:

Wales Nation Council

4.2. Robert Williams ('RW') was pleased to inform the Board that he was encouraged by the direction that the Council was taking and a strong sense that there will be an impact.

4.3. Particular note was made of Priority 6 and the issue of Training Groups which in Wales had a key role to play in supporting the Industry. The Council felt that the Training Groups would benefit greatly from access to funding and as such CITB were asked to consider making access available.

4.4. The CEO stated that under CITB's Funding Strategy, Training Groups would have a key role in delivering the expanded Skills and Training Fund.

4.5. The Board thanked the Council and will respond positively to the issues raised.

Scotland Nation Council

4.6. The Report was introduced by MD who confirmed that the Council meeting had been positive with great discussion - Mental Health being a key topic of discussion. There was some concern raised that the three Priority Issues in the Chair's Report did not necessarily reflect MD's recollection and that MD would liaise more closely with the Nation Chair on his next Chair's Report.

4.7. There was a concern around the centralisation of CITB to Peterborough and a perception of CITB 'shutting up shop' in Scotland. Communications were needed with the Council to clarify the position so that the Members could share this with the wider industry.

4.8. The Board discussed what interventions should be put in place to tackle mental health awareness and first aid but also look into building resilience into the Apprenticeship framework. Mental health causes a big loss of time in the industry and this can reduce numbers due to the industry not being seen as caring enough – CITB may be able to support in this area as a big impact could be made.

4.9. The Board thanked the Council and will respond positively to the issues raised.

England Nation Council

4.10. The report was introduced by Kevin Mcloughlin ('KM') who stated there was a lively debate but a clear sense of frustration across the Council membership that there was no tangible timeline for action on the Careers Campaign. Whilst there was alignment of opinion at a high level the Council wanted to see the detail.

4.11. In relation to Project 21, the Council had expressed their concern that there was a need to see action before further consultation and more research. The CEO acknowledged this observation and confirmed the need for CITB to deliver before further consultation.

4.12. The Board thanked the Council and will respond positively to the issues raised.

ITEM 5: SUMMARIES OF DISCUSSION:

AUDIT & RISK COMMITTEE MEETING HELD ON 6 FEBRUARY 2019

5.1. The Board received the Minutes of the last meeting **to note**. By way of verbal update, DG raised again the issue of 'safeguarding' provision within 'Go Construct' and reinforced the position that CITB had a clear commitment to ensure safeguarding is thought of in all its products and services. Addition points to note were:

- The People and Talent retention risk could be removed from the risk register as the SSCL move had gone well and all that could be done in relation to the retention issue was being done and now CITB must just 'hold its breath' until September to see what the position will look like;
- The Terms of Reference were reviewed and felt to be all in order and will be formally be brought to the Board in May;
- The Committee reviewed the current investment portfolio and revisited these to deliver higher returns;
- The engagement with colleagues from the NAO continued to be positive with a much improved relationship.

INVESTMENT FUNDING COMMITTEE MEETING HELD ON 21 NOVEMBER 2018

5.2. The Board received the Minutes of the last meeting **to note**. The Chair observed that the Minutes felt a little impenetrable to an external reader.

APPOINTMENTS & REMUNERATION COMMITTEE MEETING HELD ON 14 NOVEMBER 2018

5.3. There were no Minutes or anyone available to provide a verbal update from the last meeting.

5.4. ACTION: Board Secretary to circulate the minutes to the Trustees as soon as they are available.

ITEM 6: COMMITTEE TERMS OF REFERENCE

6.1. The Committees Terms of Reference may require review and all three will be brought back to the 15th May Board meeting for consideration and approval.

6.2. ACTION: Board Secretary to add to the Forward Plan.

ITEM 7: USE OF THE BOARD SEAL

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

ITEM 8: REVIEW OF APPRENTICESHIP SUPPORT AND FUTURE FOCUS

8.1. The CEO introduced this item as a workshop to consider:

- The analysis provided in the papers and through the workshop;
- The Apprenticeship Offer and how this sits with the future funding requirements across the Nations;
- Where CITB's Apprenticeship support should be focussed; and
- Any restrictions on timing.

8.2. The Trustees were shown six boards with the six stages of the apprenticeship journey with findings and potential options. Trustees were invited to engage in group discussion on this key area.

8.3. Comments will be collated by Braden Connolly and circulated to the Trustees.

8.4. ACTION: Braden Connolly to collate comments and circulate summary of outcomes.

ITEM 9: THREE YEAR BUSINESS PLAN (2019/20-2021/22)

9.1. The Board received a paper from **CP** for review and approval of the approach to the refreshed three-year Business Plan 2019/20-2021/22. Recognition was given to the direction from the Board at the November meeting. The Board were assured that the Plan to be presented will more clearly set the line of sight between the three pillars and the KPIs.

9.2. The Chair invited comments from the Trustees.

9.3. The Trustees raised a number of issues on the paper around the drop in revenue due to the divestment programme and the slowdown in levy collection due to slow economic growth hampering employer's ability to pay. The Trustees discussed this issue of the reserves and **MD** noted that since the Board last met there had been changes to the market. SMEs were struggling and, with the potential for a recession in which more companies might be affected, the Board must consider carefully how best to use the available funds. The need to ensure CITB's communications were clear, correct and reflect the planning was highlighted as a priority.

9.4. **SR** advised the Trustees that Experian was providing detailed analysis of how companies will/may be affected in the next few years and the fact that CITB will at some point be largely dependent on Levy-based income was a significant issue.

9.5. **MD** noted that a recession can be a good time for industry to train and CITB needed to look at how it upskills existing employees to move across sectors. **KM** concurred with **MD** and commented that Housing Associations may look to build an in-house workforce so strong links with HAs and LAs should be built.

9.6. The Chair asked Trustees if they were content to proceed with the 12 KPIs outlined in the paper and the proposal that they feed in to the six main business priorities. It was hoped that this clarity would help with Council approval and industry buy-in. The Trustees approved this presentation of the KPIs but noted that the Board would want to revisit the KPIs in the future.

9.7. Concern was expressed that the launch of the Careers Campaign was too late in the year as options will have been taken. **SR** responded that there is already a campaign in place and that the business was measuring the impact of that now. The issue was around the communication of the Campaign. The Trustees reinforced the need for action and clarity around messaging to the industry as to CITB activity.

9.8. The Chair noted that the Exec had a significant challenge to distil the Business Plan into ten pages with a further distillation into the Nation Plans within a six week timeframe

9.9. **SR** made specific reference to the Board revisiting the possibility of a 'working group' being established to consider a 'variable' Levy to enable CITB to be more flexible to the position of employers should there be a recession. This was approved by the Board.

9.10. The Trustees gave **approval** to the matters listed in para 2 of the supporting paper subject to the matters raised in discussion.

ITEM 10: ANNUAL LEVY RETURN (2020)

10.1 The Trustees gave **approval** to the matters listed in para 2 of the supporting paper subject to the matters raised in discussion.

ITEM 11: BOARD FORWARD PLAN, ANY OTHER BUSINESS

11.1 The next Board Meeting would be held on Wednesday, 15th May 2019 in London.

VALEDICTION

11.2 The Chair offered thanks to Craig Pemberton who was due to leave the business at the end of April 2019. Tribute was paid to his contribution and best wishes offered for the future.

11.3 There being no further business to discuss, the Chair closed the meeting at 2.15pm.

