

The 2<sup>nd</sup> meeting (2018) of the Board was held at 08.30 on Wednesday 28 February 2018 at The Chelsea Harbour Hotel, Chelsea Harbour, London, SW10 0XG.

**PRESENT**

James	Wates (Chair)	:	Board Trustee
Diana	Garnham	:	Board Trustee
David	Harris	:	Board Trustee
Karen	Jones	:	Board Trustee
Maria	Pilfold	:	Board Trustee

**OBSERVERS**

Dan	Foster	:	DfE
Scott	Ruby	:	DfE
Robert	Williams	:	W R W Construction Limited

**STAFF IN ATTENDANCE**

Sarah	Beale	:	Chief Executive Officer
Emma	Black	:	Legal Counsel/Board Secretary
Craig	Pemberton	:	CFO & Corporate Performance Operations Director
Steve	Radley	:	Policy Director
Patrick	Makoni	:	Assistant Board Secretary (Minutes)

**APOLOGIES:** Maureen Douglas (Board Trustee), Ray Wilson (Board Trustee), Sarah Hart (Scottish Government Observer) and Sharon Davies (Wales Government Observer).

**ITEM 1: DECLARATION OF INTERESTS; MINUTES OF THE MEETING HELD ON 4 OCTOBER & 23 NOVEMBER 2017. ACTION PLAN**

1.1. The Chair welcomed members, observers and attendees present, and **noted** apologies for absence. Also welcomed was Scott Ruby who would be taking over from Dan Foster from the DfE.

1.2. There were no Declarations of Interest.

1.3. The minutes of the meeting held on 4 October and 23 November were **approved** by the Board and signed as a true and correct record.

**ITEM 2: CEO REPORT**

2.1. The Board received the CEO Report covering the period up to January 2018 to **note** updates and **agree** or otherwise recommendations on changes to the FOM plan.

2.2. The report had been taken as read but the CEO gave a brief oral update for the Board to note which included the following key points:

2.2.1 The 2018 Levy Order had been debated on the 26<sup>th</sup> of February 2018 and passed through Parliament without challenge. A motion to consider the Levy Order would be moved in the House of Lords within the following two weeks;

2.2.2 Work to support Carillion apprentices was continuing with 750 apprentices having been placed with employers. Another 200 had been placed with new Training Providers. The provision's quality and assurance would remain under the remit of OFSTED although CITB had made its recommendations and sought protection against any quality issues inherited. The Department for Work and Pensions (DWP) Rapid Response Team had been involved in the process of redeploying workers and a model designed and built by CITB was now in operation and should be used in the future should there be future occurrences. Transition grant payments for Carillion had been withheld, as it was agreed with them, that they had not met the criteria and a net debt of £2.2m lodged with the Receivers;

2.2.3 CITB had submitted additional data to the DfE; highlighting the potential impact to

the sector should CITB be unable to support non-levy employers during the period between April 2018 and March 2019. The Board noted that the ESFA was open to discussions and Trustees would receive updates from the CEO on progress;

2.2.4 No action had been taken against the employer mentioned in previous pension updates due to lack of sufficient support from the employer group to enable Trustees to take action. The CEO had commissioned legal support to ascertain whether there was merit in legally challenging the 'last man standing' rule and also to investigate whether CITB could leave the scheme without triggering the Section 75 debt (formally valued at circa £92m).

2.3. In a discussion on the new Head Office it was noted that a stakeholders meeting chaired by Kings Lynn and West Norfolk Borough Council had been held on the 9<sup>th</sup> of February 2018. While concern had been raised at the meeting about the timing of CITB's planned relocation to a new head office, there was broad support of CITB's plans and an understanding of the need for change. There was also a desire to work with the CITB to achieve the best outcome for the Bircham Newton site.

2.4. The Board was updated on the FOM noting that CITB had met Peterborough Council who had apprised CITB of its plans for development of a potential new head office site.

[REDACTED] (Confidential) The Board noted the pros and cons of the impacts on the CITB of moving the head office relocation to 2019 and were requested to consider a recommendation to adopt a revised implementation date of January 2020. In discussion, the Board raised its concerns on the resequencing of the FOM timeline and the potential reputational damage and credibility issues with stakeholders of a changed message. There was a need to address cultural change within the timeline.

[REDACTED] (Confidential). It would be prudent to provide clarity on the impending move when recruiting particularly into new senior roles.

[REDACTED] (Confidential). The Board were also informed that there was unlikely to be pushback from industry if the customer aspects such as the Training Model were delivered on schedule. The Board reiterated its resolute commitment to move to a new site by start of 2020 and would maintain the pace of relocation. Other points to note were:

2.4.1 In terms of consultation, staff had been briefed internally particularly on outsourcing and divestment but that it was a communications issue that needed to be managed carefully. Organisation wide communication and a press release on this change to the timing of FOM would be carried out which the Board would be sighted on prior to commencement and release;

2.4.2 Service levels were likely to be impacted during the outsourcing period

2.4.3 There was concern on the lack of a sufficient high-skill base to ensure the supply of a high quality workforce with the appropriate qualifications to work for the CITB. However, plans were underway to establish a research university in Peterborough and it was considered that the communicating area is sufficient to meet demand.

2.5. The Board **noted** the report and **agreed** the changes in the planned approach and sequencing of the FOM Programme.

**2.6. ACTION: The CEO to update the Board on discussions with ESFA on potential impact to the sector should CITB be unable to support non-levy employers.**

**2.7. ACTION: The CEO to ensure the Board is sighted on the FOM consultation and press release prior to publication.**

### **ITEM 3: OVERVIEW OF CORPORATE PERFORMANCE AS AT 31 DECEMBER 2017**

3.1. The Board received a report on the overview of performance of CITB against financials, people and Board outcomes for the period ending 31 December 2017 and a financial forecast for the full 15 month accounting year to 31 March 2018 to **note** and to **consider** feedback for the Executive Team.

3.2. The paper was taken as read with the following comments noted:

3.2.1 The last full forecast had been supplied to the Board in September 2017. This would now change to monthly forecasts;

3.2.2 It was noted that funding approvals were slow. Changes in funding were being effected with a move towards commissioning that would focus not only on employers but on delivery that would benefit industry as a whole. CITB had been receiving poor quality bids, an example being on [REDACTED] (Confidential) where the bid did not have clear deliverables with the business not sustainable. However, it was expected that commissioning would pick up with more bids being funded as CITB's internal processes improved and we dealt with bodies other than employers;

3.2.3 The Grants processing issue was being addressed but there was still uncertainty on the impact of the new Grants Scheme launch on employer behaviour, so difficult to forecast;

3.2.4 The Director of Products and Services would present to a future board a full product life cycle which would include GoConstruct;

3.2.5 Passage of The Levy Order was critical to addressing the cash flow issue but all was on track.

3.3. The Board **noted** the performance update.

### **ITEM 4: APPROVAL OF THE 3 YEAR DRAFT BUSINESS PLAN: REPORT TO INCLUDE 2018/20 KPI'S, BUDGET AND STRATEGIC RISK REGISTER.**

4.1. The Board received the 3 year Draft Business Plan 2018/20 which included KPI's, Budget and Strategic Risk Register for **approval** and to **agree** that risk tolerance scores were at an appropriate level, resource allocations were consistent with the approved financial envelope and suggested Tier 1 KPIs.

4.2. At its November 2017 Board meeting, members had discussed the financial envelope for 2018/19 – 2020/21, the evidence base, outcomes and key deliverables for the three strategic priority areas, namely Careers, Standards and Qualifications and Training and Development. The Executive Team had undertaken to present the full business plan for 2018/19 – 2020/21 at the February 2018 meeting following a refined and fully resourced strategy and plans including developed outcomes and measures against proposed targets. Actions had been undertaken in light of the launch of the future CITB Strategy and its development, Sector Deal agreement, evidence of industry slowdown with impact on levy income, Carillion collapse, the ESFA Apprenticeship decision and the development of Enabling priorities to support the business.

4.3. Despite slower growth, industry still faced significant skills shortages with a substantial number of roles that needed filling. There was a possibility of pressures increasing

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significantly due to government's concerted drive to achieve its homebuilding ambitions. There was evidence of a shift to more highly skilled roles relative to trade ones, driving a need to source talent from a wider pool. However, Brexit would make the recruitment challenge difficult and industry needed to prepare for this. Consequently, the case and conditions for change were growing stronger with unsustainable margins, growing questions over the construction model and the Sector Deal.

4.4. Proposed outcomes and targets that reflected the need for change included industry insight which was essential to supporting innovation and influencing the skills environment. The Grants Scheme was seen to have impact if it was targeting priorities. Commissioning funding would target support on key themes agreed with industry, focussing on innovation and productivity. Industry's need for innovation had to be reflected in the content and method of training with focus on apprenticeships reflecting the urgency for industry to grow more of its own and attracting from a wider talent pool.

### **Strategic Risks**

4.5. The Executive had reviewed the three year horizon, taking a structured and inclusive approach. The risks would be published in the Business Plan with a judgement that all seven strategic risks currently sat above the proposed tolerance on likelihood/impact. The strategic risks were aligned to Board outcomes with plans to integrate them into performance management. Proposed next steps were for the:

- Executive to review each risk which stood outside of tolerance;
- Executive to 'deep dive' each risk at least annually – and use a 'flightpath' tool;
- Audit & Risk Committee assure itself on the content of each risk; and
- Board to occasionally 'horizon-scan' the external environment to ensure the set of strategic risks remained for purpose.

4.6. The Board welcomed the tiered approach and noted that approximately seventy percent of the 2018/19 Audit Plan would align with the Strategic Risks. The risk scores and tolerances were operating as planned with risk management being resourced by a team led by the Head of Internal Audit who would engage with the Executive. Risk owners would be alive to the impact of non-performance against the strategic priorities.

### **Resources**

4.7. The Reserves position at the end of the plan would improve by £7.8m with key financial changes in Marketing, Engagement and Apprenticeships. FTE figures would reduce to 558 by March 2021 from the current 1332. Proposed next steps were for:

- A Finance Business Partner Team that was refocused;
- A consistent set of management accounts to be in use;
- Business owned monthly cash and FTE forecasting; and
- Mid-year re-balance process.

4.8. The Executive would receive a final budget allocation for all three years of 2018/19 to 2020/21.

### **KPIs**

4.9. Ten Board level KPIs had been recommended and these would align to the three outcomes and three enabling priorities and be published externally as part of the Business Plan. It was noted that a new approach was required on the Performance Framework. The

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ten Board KPIs would be supported internally by circa twenty five Tier 1 KPIs at Executive Team level. While there was progress on defining these Executive KPIs, there was still work to do. Performance KPIs would be shared on a quarterly basis with the Board with the Executive managing them via a monthly visual “Performance Hub.” There was a comment that KPI10 ‘*CITB is a trusted source of information and enhancing our reputation as an insight-led organisation*’ could be developed further by including a reference to making use of the data also. This would be discussed with members of the Executive outside of the meeting. Proposed next steps would be to:

- Agree full suite of Tier 1 KPIs;
- Build visual graphic for each Tier 1 KPI;
- Run first Performance Hub in May, on April data; and
- Cascade process to Tier 2 (Exec Director Level).

4.10. KPI Tolerance levels had been agreed as a group by the Executive and assigned ownership at Executive level with a recognition that the tolerance levels were likely to change. In terms of alignment to the Board Outcomes, the set of ten KPIs needed to be taken together in a holistic view. Members commented that research questions ought to be trusted by industry and findings used for its benefit.

4.11. The Board **approved**:

- The proposals for ongoing management of the strategic risks;
- The proposed resource allocations to achieve the Board’s outcomes; and
- The set of Board level outcomes KPIs

In addition, the Board **agreed**:

- That risk tolerance scores were set at an appropriate level;
- That resource allocations were consistent with the approved financial envelope; and
- The suggested set of Tier 1 KPIs and those that would be further developed.

**4.12. ACTION: The CFO & Corporate Performance Operations Director to share with the Executive a final budget allocation for all three years of 2018/19 to 2020/21.**

**\*Secretary’s note: In the subsequent discussion on KPI10 referred to in 4.9 above, an agreement was reached to leave the description of the KPI as was and to look for maturing this measure during the next planning round in the autumn.**

## **ITEM 5: APPROVAL OF 2018 LEVY RETURN**

5.1. The Board received the 2018 Levy Return paper format and guidance notes for **approval**. The return would be sent to all registered employers in quarter 2 of 2018.

5.2. The Guidance Notes had been sharpened in a push to put more levy registered employers online. Currently, about seven thousand from approximately seventy thousand levy registered employers were using the online service. More work still needed to be done. CITB would not be levying penalties for late returns following advice from HMRC. However, members noted that grant rules were being tightened as the process underwent automation. The process for levy estimates would also change to make it more efficient. Following discussion, the Board recommended that we should make clear in the Guidance Note text that CITB did not share information with others, although we ourselves may use their data to contact them about other CITB products and services.

5.3. The Board **approved** the 2018 Levy Return and accompanying guidance notes, authorising submission to the DfE for ministerial approval, subject to the checking of the 3<sup>rd</sup> party data use declaration, which was challenged and required clarity.

**5.4. ACTION: The Policy Director to ensure that a “Fair Processing Notice” was included in the Guidance Notes.**

## **ITEM 6: EXTERNAL ENVIRONMENT AND STRATEGY PAPER FOR INFORMATION UNTIL AGREEMENT OF BUSINESS PLAN**

6.1. The Board received the External Environment and Strategy paper for **information** to provide insight into three priority areas being future engagement, funding and research plans.

6.2. An overview of the three priority areas was presented but the Board would have structured discussions following approval of the Business Plan. The overall message was that construction had been weaker than other parts of the economy. However, infrastructure pipeline and housing ambition created a basis for more balance and predictable growth. Other key external drivers were:

6.2.1 Sector Deal (SD) – focus was on pre-manufacturing and digital with questions on whether construction apprenticeships could hit SD ambitions without progress on policy and delivery. The SD was however on track for agreement in March;

6.2.2 T levels were promising but there were some major challenges which the National Retraining Scheme could help to address.

6.2.3 There were apprentices in Further Education (FE) who lacked work experience. The future CITB had an opportunity to get this right as it would increase emphasis on influencing local delivery;

6.2.4 It was essential to develop a credible plan that addressed the migrant workers challenge.

### **Engagement**

6.3. Engagement was planned in the following areas:

- Construction Leadership Council;
  - Sector Deal Skills Action Plan
  - Apprenticeships
  - Innovation work streams
- Apprenticeships – standards, funding, provision;
- T-levels – FE deliverability, work placements, progression;
- National Retraining Scheme;
- Influencing provision at National and Local level;
- Migrant workers including Home Office and Migration Advisory Committee;
- Homebuilding – through HBSP but also through modelling and offsite work;

### **Innovation**

- CLC ‘Innovation in Building’ Centres of Excellence;
  - Development of ‘Transforming Construction’ Challenge Fund;
  - Skills work stream for “Each Home Counts”;
  - Green Construction Board to embed principles of sustainable construction across all construction training;
  - Digital upskilling, including development of competency frameworks and standardised
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teaching materials;

### **Qualifications Wales Sector Review of Construction**

- Covering all construction qualifications in Wales and acting as Welsh response to development of T-Levels.

### **Building Scotland Fund**

- Reviewing how evidence base could support development of £150m fund to secure new build.

6.4 Members commented that the engagement plan seemed onerous for a three year period. They were informed that priority would be ensuring that the apprenticeship levy worked and was fit for purpose. Progress was being made with the Institute of Apprenticeships and the Construction Leadership Council (CLC) to map standards, albeit being agreed at a slow pace. T levels which were meant to be higher level vocational qualifications would build up gradually over the next five years. However, there was a lack of clarity on how these would work in practise. Members were of the view that there was a possibility they might work best if the qualifications were built into Technical Colleges and Universities. It was unclear how this would work in the future, particularly in identifying where the vulnerabilities were in relation to levy payers/big employers and users/small employers. Other points noted were that:

6.4.1 In terms of delivering milestones for apprenticeship training, it was best to prioritise and agree standards as influencing the funding approach would take longer;

6.4.2 There would be collaborative working with the Government on the National Retraining Scheme. However, challenges were expected in how the funds would be utilised in the next two years;

6.4.3 There were pathways into different opportunities for Immersive Learning;

6.4.4 Discussions had been held with the Home Office on collaborative work on migration with CITB providing the evidence base in terms of recruitment and training of construction workers. Challenges were expected on the processes and what the future would look like;

6.4.5 Engagement would not be London centric but would also focus on Wales and Scotland;

6.4.6 Modest progress was expected on the opportunities in Digital Skills which was dependent on the Government delivering on its budget commitments. It would be prudent to highlight that delivery of this was contingent on third parties delivering. However, CITB would work collaboratively with industry on needs.

### **Funding**

6.5. Funding Commissions would focus on three areas; Careers, Training and Development and Innovation. On Careers, funding commissions to date were development and delivery of experiential learning, employer engagement with higher education to improve partnership relationships and developing higher education resources, employer-led training and employment pathways into construction for ex-offenders. More commissions were planned.

6.6. £3m had been allocated for Training and Development. Plans were in place to commission retention of skills within the industry.

6.7. Four different initiatives were in the pipeline on Innovation but members would have an opportunity to hone in on future discussions. Funding Commissions was allocated £20m per

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annum. The Board noted that prioritising and resourcing would be a challenge. However, the Investment Funding Committee would decide the level of allocations. The National Retraining Scheme would be aligned to CITB's strategy utilising government funding.

## **Research**

6.8. Work was still in progress to focus on Digital upskilling, Productivity potential, Fuller working lives, Transferable skills, Pre-employment interventions, Hard to reach unemployed and Assessors and trainers. CITB would use evidence base to develop commissions as this was a better way of working at scale. The commissions would be discussed in detail at the Investment Funding Committee.

6.9. The Board **noted** the report.

## **ITEM 7:**

**AUDIT & RISK COMMITTEE MINUTES (5.10.17 & 8.2.18)**

**APPOINTMENTS & REMUNERATION COMMITTEE MINUTES ( 23.11.17 & 8.2.18)**

**INVESTMENT FUNDING COMMITTEE MINUTES (22.11.17)**

**COUNCIL MINUTES (22.11.17)**

**SCOTTISH COMMITTEE MINUTES (20.11.17)**

**CYMRU WALES COMMITTEE (24/1/18)**

7.1. Within the Board pack were minutes from the Committees and Council meetings. While they had been taken as read, Committee Chairs gave brief verbal updates of key issues that had been discussed from the various agendas.

7.2. Oral updates from the meetings held in 2017 had been received by the Board at its 23 November 2017 meeting. New updates were as follows:

### **Audit and Risk Committee:**

7.2.1 Had discussed amending the Risk Dashboard for more granularity;

7.2.2 Had a discussion on cultural change and how it could be measured, specifically over the next eighteen months. NAO would assist in providing some insight on measuring change;

7.2.3 It reviewed CITB strategic policies on compliance and had recommended some changes around the wording. A policy in relation to investments would be submitted to the Committee at its next meeting after which all policies would be uploaded onto Convene.

### **Appointments and Remuneration Committee:**

7.2.4 Following the resignation of Ray Wilson from the Board, Maria Pilfold had assumed the Chair's role for the Committee;

7.2.5 The Committee discussed the annual pay review. Unions pay claims received post the meeting were set at 4.25%. CITB had formally responded and were offering an increment that allowed for a base salary uplift of 2%, an overall 3% increase from the 2017 Matrix;

7.2.6 The Committee had agreed individual executives' bonuses against performance and reviewed draft executive objectives for 2018/19. The CEO performance objectives were yet to be finalised.

### **Investment Funding Committee:**

7.2.7 The Committee chair requested that the Head of Economic Analysis Research

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investigate whether CITB should be linking with early LEPS for grants.

**7.3. ACTION: The Head of Economic Analysis Research to investigate whether CITB should be linking with early LEPs for grants.**

**Council:**

7.3.1 Turnout had been good with discussion centring around the new Nations Councils on how they would work and fit into the CITB governance structure;

7.3.2 Updates had been received on the Future Operating Model and Business performance;

7.3.3 Members would be furnished with information on how to populate membership of the new Nations Councils.

**7.4. ACTION: The Board Secretary to circulate information to Council on populating the new Nations Councils.**

**Welsh Committee:**

7.4.1 The last meeting had been reasonably attended. Members had underscored the need to maintain momentum as time was of the essence in establishing the new Nations Councils. The Forward Plan for achieving this had been well received. Members were informed of Trustee positions that were being advertised for anyone that may have an interest to apply;

7.4.2 Qualifications Wales Construction had been due to publish their report on 8<sup>h</sup> February 2018 with an opportunity to feedback comments until 13<sup>th</sup> April 2018.

7.4.3 CWIC (Construction Wales Innovation Centre) were looking into a fund for Immersive learning being commissioned by CITB, and were seeking others to join them in their bid.

7.5. The Board **noted** the updates, and requested the Assistant Board Secretary to include a cover sheet outlining key issues to accompany minutes for future Committee updates to the Board.

**7.6. ACTION: The Assistant Board Secretary to include a cover sheet outlining key issues to accompany minutes for future Committee updates to the Board.**

**ITEM 8: INFORMATION PAPER  
SCOTTISH STAKEHOLDER SURVEY RESULTS**

8.1. The Board received a paper on the Scottish Stakeholder Survey Results for **information**. This was taken as read.

8.2. The Board **noted** the paper.

**ITEM 9: BOARD FORWARD PLAN  
ANY OTHER BUSINESS  
DATE AND TIME OF NEXT MEETING**

9.1. The Board received its Forward Plan to **consider** new dates for Board meetings in 2018 to align with the new financial year and the reporting cycle to the Sponsoring Department as per the Framework. Following discussion, the Board agreed that the Board Secretary would circulate new dates and lock these down with Trustees.

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9.2. Feedback had been provided to the DfE on the Framework Document, but sign off by Treasury which was a legislative requirement had been delayed. Recruitment of new Trustees was being finalised although the application deadline had been extended to garner more interest. The new CITB Chair announcement was expected in the following weeks but it was unlikely that the new Chair would start soon after appointment. However, there would be a proper handover. Other issues discussed included:

9.2.1 A request from the Board to be availed of a copy of the brief that had been sent to the Minister regarding the Levy Vote;

9.2.2 To give consideration of establishing a matching service for staff that would be made redundant post FOM, minimising impact and have it as a KPI.

9.2.3 Include the possibility of an Industry matching service within GoConstruct;

9.2.4 It was noted that apprentices tend to learn more on the job as opposed to purely traditional learning, as this felt distant and therefore more contextualised learning solutions are still needed.

9.2.5 The CEO had been involved in a discussion on the Grenfell Report. The Board noted that behavioural check was difficult to measure in the construction industry but it would be worthwhile to investigate how this could be built into the construction industry and to bring in leadership and management from outside construction.

9.3. The Board Secretary tabled a document for the Chair's signature **confirming** that the Board is entitled under legislation to make arrangements for the exercise, on behalf of the CITB, of any of the Board's functions by an Officer of the CITB and in accordance with the delegated authority in the CITB Scheme of Delegation and that the Chief Executive Officer and the CFO & Corporate Performance Operations Director had authority to open an account and transact business with JP Morgan. The Chair **signed** the document.

9.4. There being no further business, the meeting was **closed**. The next Board meeting would be held at Carthusian Court in London on the 16<sup>th</sup> May 2018 commencing from 9am.

**9.5. ACTION: The Policy Director to circulate to the Board a copy of the brief that had been sent to the Minister regarding the Levy Vote.**

**9.6. ACTION: The CEO to consider establishing a matching service for GoConstruct and for staff made redundant post FOM.**

**9.7. ACTION: The Assistant Board Secretary to circulate new dates for Trustee Board meetings.**

**ITEM 10: CLOSED SESSION**

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